2003

Federal Benefits Handbook

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2003 Federal Benefits Handbook

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Federal Pay

Overview of the Federal Pay Systems
The federal government is comprised of several different pay systems and schedules. The primary pay systems and schedules are the General Schedule, the Federal Wage System, the Senior Executive Service, and the Executive Schedule. While the different pay systems and schedules are linked – and, most importantly, are capped by the Executive Schedule - they all cover different groups of employees. Each system and schedule is explained in more detail below. (There are certainly many other pay systems and schedules in the federal government, such as the Foreign Service Schedule, the Non-appropriated Fund Instrumentalities, and the Veterans Health Administration schedule. However, due to space constraints, these schedules and systems will not be covered in this particular publication.)

Locality Pay. As a general rule, federal employees' pay consists of two primary parts – "base pay" and "locality pay." While base pay is the same for each grade and step across the country, locality pay varies by geographic location. Thus, while a GS-9, step 5, employee in Kansas City will earn the same base pay as another GS-9, step 5, employee in Boston, the Boston employee will end up earning approximately $1,675 more annually because of locality pay. Locality pay is, in essence, the federal government's way of acknowledging that in many geographic areas federal employees are paid less than they would be paid in the private sector for a comparable position, and therefore locality pay is added to make up for part of the difference. Locality pay is not paid to employees overseas, or to those in Hawaii, Alaska or Puerto Rico.

Executive Schedule. The Executive Schedule sets the pay rates for the top federal officials, from the U.S. President, Vice-President, and Cabinet Officers on down to heads and sub-heads of federal agencies. Below the President and Vice-President, the Executive Schedule consists of Levels I through V, with Level I being the highest paid, and Level V being the lowest paid. For the purposes of federal employee pay, the importance of the Executive Schedule is that it serves as a cap on federal employee pay. For example, below federal agency and department heads are a group of employees who are members of the "Senior Executive Service" or "SES." These employees have their own pay scale, which is discussed below, but members of the SES by law cannot be paid more than Level IV of the Executive Schedule for base pay, and Level III of the Executive Schedule for base plus locality pay. Thus, Level III of the Executive Schedule serves as a "cap" on the amount that members of the SES can receive for base plus locality pay.

Congressional and federal judicial salaries are also related to the Executive Schedule pay system, with most Members of Congress and federal district court judges receiving Level II pay. (We say "most" because Congressional majority and minority leaders and the Speaker of the House earn more than the Members of Congress and Senators who do not serve in leadership roles.)

In sum, while the Executive Schedule does not directly affect most federal employees' pay, it does serve as the uppermost limit, or "cap," on how much they can receive in pay.

Senior Executive Service. The Senior Executive Service pay schedule is capped by the Executive Schedule. Members of the SES can earn no more than Level IV for base pay; Level III for base plus locality pay; and Level I for total compensation. (The Level I cap comes into play when a member of the SES is given an allowance or a monetary award, such as a Distinguished Rank Award, which comes with a sizable bonus.) For the SES pay schedule, the pay grades are ES-1 through ES-6, with ES-6 being the highest pay grade, and ES-1 being the lowest. By law, the lowest pay rate, ES-1, cannot be less than 120 percent of the minimum rate for GS-15 (grade 15, step 1 of the General Schedule).

The President adjusts SES pay rates annually. Agency heads are responsible for setting basic pay for the SES at one of six rates (ES-1 through ES-6). In setting these pay rates, agencies consider such factors as the qualifications, performance, duties, and responsibilities of the employee.

In calendar year 2002, SES members in the U.S. (excluding Alaska and Hawaii) received the same locality-based comparability payments as the General Schedule. However, basic pay plus locality pay for SES members is capped at $138,200 for 2002 (Executive Level III). Locality pay is included in calculations for retirement, life insurance, thrift savings, severance pay, advances in pay upon appointment, and lump-sum annual leave payments upon separation. It is not included in calculations for performance awards. Total compensation (including salary, awards, and relocation, recruitment or retention allowances) cannot exceed Executive Level I ($166,700 in CY 2002) in any one year. Excess amounts due to the employee are paid in the following year(s).

General Schedule. Most federal employees fall under the "General Schedule" or "GS" pay scale. The General Schedule is the pay scale for professional or "white collar" employees, and is comprised of 15 "grades." The lowest grade is 1, and the highest is 15. Each grade has 10 "steps." Employees advance from one grade to another as they are promoted and their responsibilities increase. Employees move to higher steps within their grade level based on the length of their tenure and acceptable job performance. Advancement to either a higher grade or step means an increase in pay.

Because within-grade, or "step," increases are based in part on an employee's tenure, there are waiting periods before an employee can move to the next higher step. Before an employee can move to a step 2, 3, or 4, the employee must wait 52 weeks (1 year). To move to a step 5, 6, or 7, the employee must wait 104 weeks (2 years). And to be advanced to a step 8, 9, or 10, the employee is required to wait 156 weeks (3 years).

Pay raises for the General Schedule are determined annually each year by Congress and the President. Once the pay increase is set by law, the amount is allocated by the President between base pay and locality pay.

Federal Wage System. The Federal Wage System (FWS) covers federal "blue collar" workers. The system was developed to make the pay of these workers comparable to prevailing private sector rates in each local wage area. The regular pay plan covers most trade, craft, and laboring employees in the executive branch. The FWS does not cover Postal Service employees,

legislative branch employees, or employees of private sector contracting firms.

For each wage area, OPM identifies a "lead" agency. The "lead" agency is responsible for conducting wage surveys, analyzing data, and issuing wage schedules under the policies and procedures prescribed by OPM. All agencies in a wage area pay their hourly wage employees according to the wage schedules developed by the lead agency. OPM has identified DOD as the lead agency for each local wage area. OPM does not conduct local wage surveys.

Under the FWS, the agency bases federal employee pay on what private industry is paying for comparable levels of work in the local wage area. Employees are paid the full prevailing rate at step 2 of each grade level. Step 5, the highest step in the FWS, is 12 percent above the prevailing rate of pay.

Additional Kinds of Pay and Compensation

Administratively Uncontrollable Overtime Pay
The head of an agency may approve administratively uncontrollable overtime (AUO) pay for an employee who occupies a position that requires substantial amounts of irregular, unscheduled overtime work that cannot be controlled administratively, with the employee generally being responsible for recognizing, without supervision, circumstances that require the employee to remain on duty.

AUO pay is a substitute form of payment for irregular, unscheduled overtime work and is paid on an annual basis instead of on an hourly basis. Agencies may not pay AUO pay to a prevailing rate (wage) employee, a member of the United States Park Police or the United States Secret Service Uniformed Division, a member of the Senior Executive Service, or a member of the Federal Bureau of Investigation or Drug Enforcement Administration Senior Executive Service.

AUO pay is determined as a percentage, not less than 10 percent nor more than 25 percent, of an employee's rate of basic pay fixed by law or administrative action for the position held by the employee, including any applicable special pay adjustment for law enforcement officers under section 404 of the Federal Employees Pay Comparability Act of 1990 (Pub. L. 101-509), locality-based comparability payment under 5 U.S.C. 5304, or continued rate adjustment under subpart G of 5 CFR part 531, before any deductions and exclusive of additional pay of any other kind.

Under OPM regulations, the rate of AUO pay that is authorized for a position is based on the average number of hours of irregular or occasional overtime work performed per week. For example, a 25 percent rate is authorized for a position that requires an average of over 9 hours per week of irregular or occasional overtime work. Agency reviews of the percentage of AUO pay paid to employees must be conducted "at appropriate intervals" and OPM recommends that such reviews be completed every 3 to 6 months by federal agencies. If the results of these reviews indicate that the employee is not receiving AUO pay in accordance with the law and regulations, the percentage of annual premium pay must be revised or, if appropriate, AUO pay must be discontinued.

Relationship to other premium pay entitlements. An employee who receives AUO pay for irregular or occasional overtime work may also receive overtime pay on an hourly basis for regularly scheduled overtime work. Regularly scheduled overtime work creates an entitlement to overtime pay on an hour-for-hour basis and generally must be officially ordered or approved by a supervisor or manager in advance of the employee's regularly scheduled administrative workweek.

If an employee who is engaged in law enforcement activities (including security personnel in correctional institutions) receives AUO pay and is nonexempt from (covered by) the overtime pay provisions of the Fair Labor Standards Act (FLSA), he or she is entitled to additional overtime pay equal to 0.5 times the employee's hourly regular rate of pay for all hours of work in excess of 42.75 hours in a week, including meal periods. Other nonexempt employees who receive AUO pay and who are not engaged in law enforcement activities are entitled to additional FLSA overtime pay equal to 0.5 times their hourly regular rate of pay for all hours of work in excess of 40 hours in a week, not including meal periods.

An employee receiving AUO pay is also entitled to night, Sunday, and holiday pay when the requirements for these types of premium pay have been met. However, hazardous duty pay may not be paid for hours of work that are compensated by AUO pay because AUO pay is provided in lieu of other types of premium pay except overtime pay for regularly scheduled overtime work, and premium pay for night, Sunday, and holiday work.

Work scheduling requirements. Whenever possible, work for Federal employees must be scheduled on a regular basis, and AUO pay generally cannot be paid for work that has been regularly scheduled. Regularly scheduled work means work that is scheduled in advance of an administrative workweek. An administrative workweek means a period of 7 consecutive calendar days designated in advance by the head of an agency (e.g., Sunday through Saturday midnight).

The Comptroller General has determined that while the conditions for AUO pay in 5 U.S.C. 5545(c)(2) "generally" require that an employee's hours of duty may not be subject to administrative control, that does not mean that overtime work must be compensated on an hourly basis as if it were regularly scheduled overtime work when circumstances occasionally require supervisors or managers to direct overtime work for short periods of time. Also, the courts have ruled that work is not regularly scheduled when an agency cannot predict the beginning or the end of an event (such as a prison riot) that leads to assignment of employees to a temporary period of predictable tours of overtime work until the event ends.

AUO pay limitations. A law enforcement officer may receive AUO pay only to the extent that the payment will not cause the total of the employee's basic pay and premium pay (including AUO pay; regularly scheduled overtime pay; night, Sunday, or holiday pay; and hazardous duty pay) for any biweekly pay period to exceed the lesser of—

(1) 150 percent of the minimum rate for GS-15, including a locality-based comparability payment (under 5 U.S.C. 5304) or special pay adjustment (under section 404 of the Federal Employees Pay Comparability Act of 1990) and any special salary rate (under 5 U.S.C. 5305); or
(2) the rate payable for level V of the Executive Schedule.

A lower biweekly pay limitation applies to employees who are not law enforcement officers. An employee who is not a law enforcement officer may be paid premium pay to the extent that the payment does not cause the total of his or her basic pay and premium pay for any pay period to exceed the maximum rate for GS-15, including a locality-based comparability payment under 5 U.S.C. 5304 and a special rate established under 5 U.S.C. 5305. This limitation may be applied on an annual (calendar year) basis instead of on a biweekly basis if the head of an agency has determined that an emergency exists, and the employee has been determined to be performing work in connection with the emergency. A criminal investigator who is entitled to receive availability pay may not receive AUO pay.

Payment for seasonal work and temporary assignments. When the requirements for AUO pay are met by an employee during only part of a year, such as during a given season, an agency may pay AUO pay only during the period when all requirements for AUO pay are met. Further, an agency may continue AUO pay for not more than 10 workdays when an employee receiving AUO pay has been temporarily assigned to duties that do not warrant payment of AUO pay, and such payments for performance of nonqualifying duties may not exceed 30 workdays in a calendar year. One exception is that AUO payments may continue for up to 60 workdays at any one time and cumulatively in a calendar year while an employee is on temporary assignment to a formally approved program for advanced training directly related to the duties for which AUO pay is paid. An employee is entitled to continuation of AUO pay during any period of paid leave.

Call-Back Overtime

Call-back overtime applies to General Schedule and Federal Wage System exempt and non-exempt employees. Call-back overtime work is irregular or occasional overtime work performed by an employee on a day when no work is scheduled or at a time which requires the employee to return to the place of employment from an off-duty status. Call-back overtime work is deemed to be not less than 2 hours in duration for pay or compensatory time purposes. Thus, if an employee is called back for overtime work for a half-hour, the employee must receive 2 hours worth of call-back overtime pay. If a single call-back involves the employee for more than two hours and the time is continuous, the employee must be compensated for actual time.

An employee who is called back more than once during the same two-hour period is entitled to call-back overtime pay for each time called back. Call-back overtime pay is not conditioned on the actual performance of duty.

By definition, call-back overtime provisions do not apply to work performed by the employee when the employee works at a place of residence, when an employee lives and works on a vessel, or when the employee lives on the premises of a duty station, e.g., a remote radar site. An employee who corrects system problems by computer modem without returning to the workplace is not eligible for call-back pay. However, such employees may be eligible for overtime if they have been authorized to perform work at or from their residence. Overtime pay for these employees will be based on actual time spent in unscheduled overtime work, provided the work is substantial in nature (at least eight minutes), and approved procedures have been followed for verifying the time and performance of work.

Call-back on a holiday. Employees who, on a holiday, are called back to work are entitled to at

least two hours pay at the holiday premium pay rate. Compensatory time off is not allowed in lieu of pay for holiday call-back. The holiday rate is payable for all call-back hours which correspond to nonovertime hours of the employee's regular daily tour up to 8, except that an employee on a compressed work schedule may be paid call-back not to exceed the nonovertime hours of his or her tour.

An employee who is called back on a holiday would seem to have a dual pay entitlement, i.e., under 5 U.S.C. 5546 (two hours holiday call-back) and 5 U.S.C. 5542 (two hours regular call-back). However, for pay purposes, the entitlements are said to be coextensive, i.e., the employee's minimum entitlement (ME) is limited to two hours, not four, when call-back is performed on a holiday and the entire period of call-back does not exceed two hours.

If the entire period corresponds to nonovertime hours, the employee will be paid at the holiday rate only. If the call-back period comprises nonovertime and overtime, the nonovertime hours will be paid at the holiday rate and the overtime period at the overtime rate.

Compensatory Time Off

Compensatory time off is time off with pay in lieu of overtime pay for irregular or occasional overtime work, **or** when permitted under agency flexible work schedule programs, time off with pay in lieu of overtime pay for regularly scheduled or irregular or occasional overtime work.

Compensatory time off may be approved in lieu of overtime pay for irregular or occasional overtime work for both FLSA exempt and nonexempt employees. Compensatory time off can also be approved for a "prevailing rate employee," but there is no authority to require that any prevailing rate (wage) employee be compensated for irregular or occasional overtime work by granting compensatory time off.

Agencies may require that an FLSA exempt employee receive compensatory time off in lieu of overtime pay for irregular or occasional overtime work, but only for an FLSA exempt employee whose rate of basic pay is above the rate for GS-10, step 10. No mandatory compensatory time off is permitted for wage employees or in lieu of FLSA overtime pay.

Compensatory time off may be approved (not required) in lieu of regularly scheduled overtime work only for employees, including wage employees, who are ordered to work overtime hours under flexible work schedules.

An agency may set time limits for an FLSA exempt or nonexempt employee to take compensatory time off. An agency may provide that an FLSA exempt employee who earns compensatory time off will lose entitlement to both compensatory time off and overtime pay if it is not used within agency time limits, unless the failure was due to an exigency of the service beyond the employee's control.

If compensatory time off is not taken by an FLSA nonexempt employee within agency time limits, an agency must pay the employee for overtime work at the overtime rate in effect during the pay period in which the overtime work was completed. One hour of compensatory time off is granted for each hour of overtime work.

Environmental Differential Pay
Environmental differential pay applies only to Federal Wage System (FWS) employees. This type of pay is paid to FWS employees who are exposed to job-related hazards, physical hardships, or unusually severe working conditions. The list of hazards and hardships for which an employee may receive environmental differential pay can be found in Appendix A of 5 CFR section 532.

The amount of environmental differential pay that can be paid to an employee is determined by multiplying the rate authorized in Appendix A for the described exposure by the rate for WG-10, step 2, taken from the current regular nonsupervisory wage schedule applicable to the area in which the employee has an official duty station. One-half cent or over shall count as a full cent. The resulting cents-an-hour amount shall be paid uniformly to each eligible FWS employee, regardless of the grade level of the employee or the FWS wage schedule on which the employee is paid.

Whether environmental differential is paid on the basis of all hours in a pay status or on the basis of actual exposure depends on the hazard, physical hardship or working condition as listed in Appendix A. An employee who is entitled to environmental differential for all hours in a pay status shall be paid for all hours in a pay status on the day of exposure.

An employee who is entitled to environmental differential on an actual exposure basis shall be paid not less than one hour's differential pay for the exposure. For exposure beyond one hour, the employee will be paid in increments of one-quarter hour with less than 15 minutes rounded up to a quarter hour. However, environmental differential for such intermittent exposures may not exceed the number of hours of active duty by the employee on the day of exposure.

An employee may not be paid more than one environmental differential for a period of work. Payment shall be based on the higher of the two differentials authorized.

When an employee is eligible for environmental differential pay which is payable on a shift basis, and, on the same day, is eligible for environmental differential on an actual exposure basis at a higher rate, he or she must be paid environmental differential on the basis of actual exposure for that exposure, and environmental differential on the basis of the shift for the remaining hours in the pay status that day.

Relationship to other pay. Environmental differential is included as part of the employee's basic rate of pay and must be used to compute premium pay for overtime, holiday, or Sunday work, the amount from which retirement deductions are made, and the amount on which group life insurance is based.

Effect of environmental differential pay on lump sum leave payment and severance pay. Environmental differential pay is not part of basic pay for purposes of lump-sum annual leave payments and severance pay. Its loss is not an adverse action.

Evacuation Payments
Evacuation payments are made to employees or their dependents, or both, who are ordered to be evacuated from or within the United States and certain non-foreign areas in the national interest because of natural disasters or for military or other reasons that create imminent danger to the lives of the employees, their immediate family, or their dependents. The applicable non-foreign areas are listed in the definition of "United States area" in 5 CFR 550.402. Evacuation payments may be made to dependents 16 years of age or older, or to designated representatives, only with prior written authorization from the employee.

Note: This summary does not include information about evacuation payments for employees in foreign areas, which are paid under Chapter 600 of the Department of State Standardized Regulations (Government Civilians, Foreign Areas).

When an employee has been ordered to evacuate, agency heads may make advance payments of pay, allowances, and differentials to cover a time period of up to 30 calendar days, provided the agency head or designated official determines the payment is required to defray immediate expenses incidental to the evacuation. The initial evacuation payment may cover up to 60 days of pay, allowances, and differentials, including the period covered by the advance payment.

Evacuation payments may be made to cover a total of up to 180 calendar days (including the number of days for which payment has already been made) when employees continue to be prevented from performing their duties by an evacuation order. When feasible, evacuation payments must be paid on the employee's regular pay days.

Employees in an Executive agency may also receive additional allowance payments for travel expenses and subsistence expenses (i.e., per diem) to offset added expenses they incur as a result of their evacuation or the evacuation of their dependents.

Agencies must make all deductions from advance payments or evacuation payments that are authorized by law, including retirement or Social Security (FICA) deductions, authorized allotments, and Federal income tax withholdings.

Not later than 180 days after the effective date of the order to evacuate, or when the emergency or evacuation is terminated, whichever is earlier, an employee must be returned to his or her regular duty station or reassigned to another duty station.

Hazardous Duty Pay
GS employees receive hazardous duty pay if their job duties cause extreme physical discomfort or distress, which is not adequately alleviated by protective or mechanical devices. For example, duty that involves exposure to extreme temperatures for a long period of time, arduous physical exertion, or exposure to fumes, dust, or noise that causes nausea, skin, eye, ear, or nose irritation will require that an agency provide hazardous duty pay. Hazardous duty pay is similar to environmental differential pay. However, hazardous duty pay applies to GS employees, while environmental differential pay applies to FWS employees.

"Hazardous duty" means duty performed under circumstances in which an accident could result in serious injury or death, such as duty performed on a high structure where protective facilities are not used or on an open structure where adverse conditions such as darkness, lightning, steady rain, or high wind speeds exist. "Hazard pay differential" means additional pay for the performance of hazardous duty or duty involving physical hardship.

To review the hazard pay differentials schedule, see Appendix A of 5 CFR part 550, subpart I. Note that hazardous duty pay may not be paid for hours of work for which an employee receives annual premium pay (for regularly scheduled standby duty or administratively uncontrollable overtime work), or a criminal investigator receives availability pay.

Unauthorized Performance of Hazardous Duties. Hazardous duty pay may be paid only to employees who are assigned hazardous duties or duties involving physical hardship for which a differential is authorized. It may not be paid to an employee who undertakes to perform a hazardous duty on his or her own, without proper authorization.

Maximum Amount of Hazardous Duty Pay an Employee May Receive. An employee may receive no more than 25 percent of his or her rate of basic pay. However, employees do not receive this kind of pay just for the actual hours that they are performing hazardous duties. When an employee performs a duty for which a hazard pay differential is authorized, the agency must pay the hazard pay differential for all of the hours in which the employee is in a pay status on the day on which the duty is performed.

Hazardous Duty Pay During Overtime Hours. Employees may receive hazardous duty pay during overtime hours because the employee is in a pay status during overtime hours. However, the hazardous duty pay is computed on the employee's hourly rate of basic pay, not his or her hourly overtime rate.

Hazardous Duty Pay During Hours of Paid Leave. Hazardous duty pay may be paid during hours of paid leave if a hazardous duty is performed on a day on which paid leave is taken. For example, if an employee performs a hazardous duty for 1 hour and then takes annual leave for the 7 hours remaining in his or her workday, the employee is paid hazardous duty pay for the entire 8-hour workday.

Hazardous Duty Pay During Periods of Leave Without Pay. Hazardous duty pay cannot be paid during periods of leave without pay. It may only be paid while an employee is in a pay status.

Subject to the Aggregate Limitation on Pay. Hazardous duty pay is included in the aggregate limitation on pay, which limits an employee's aggregate compensation to the rate payable for level I of the Executive Schedule at the end of a calendar year.

Holiday Premium Pay

Holiday premium pay is paid to employees who perform work on a holiday. An employee who performs holiday work is entitled to pay at his or her rate of basic pay plus premium pay at a rate equal to his or her rate of basic pay for that holiday work that is not in excess of 8 hours. An employee is entitled to pay for overtime work on a holiday at the same rate as for overtime work

on other days. An employee who is assigned to duty on a holiday is entitled to pay for at least 2 hours of holiday work.

Premium pay for holiday work is in addition to overtime pay or night pay differential, or premium pay for Sunday work. Premium pay for holiday work is not included in the rate of basic pay used to compute the overtime pay or night pay differential or premium pay for Sunday work.

Law Enforcement Availability Pay
Availability pay is a type of premium pay that is paid to Federal law enforcement officers (LEO's) who are criminal investigators. Due to the nature of their work, criminal investigators are required to work, or be available to work, substantial amounts of "unscheduled duty." Availability pay is generally an entitlement that an agency must provide if the required conditions are met, but is optional in Offices of Inspectors General that employ fewer than five criminal investigators.

Eligibility for availability pay is limited to criminal investigators who are properly classified in the GS-1811 (Criminal Investigations) and GS-1812 (Game Law Enforcement) series under Office of Personnel Management standards and to pilots employed by the U.S. Customs Service. Availability pay will be extended to Special Agents in the Diplomatic Security Service when implementing regulations are effective. Employees in these groups must also meet the definition of "law enforcement officer" in 5 U.S.C. 5541(3) and 5 CFR 550.103, which generally requires that the employee be covered under the early retirement provisions for LEO's. However, a criminal investigator is also entitled to availability pay if he or she holds a supervisory or administrative position that has been officially approved as a "secondary position" under the LEO retirement provisions, even if the criminal investigator is not personally covered by those provisions.

By law, availability pay is fixed at 25 percent of a criminal investigator's rate of basic pay. However, the biweekly maximum earnings limitation for LEO's in 5 U.S.C. 5547(c) applies, which states that a law enforcement officer may be paid premium pay only to the extent that the payment does not cause the officer's aggregate rate of pay for any pay period to exceed the lesser of (1) 150 percent of the minimum rate payable for GS-15 (including any applicable locality-based comparability payment and any applicable special rate of pay), or (2) the rate payable for level V of the Executive Schedule.

"Unscheduled duty" consists of those hours when a criminal investigator performs work, or is determined by the agency to be available to perform work, that are not part of the criminal investigator's basic 40-hour workweek and are not regularly scheduled overtime hours, excluding the first 2 hours of overtime work on a basic workday. (See exception in 5 U.S.C. 5542(e) for employees who perform protective duties.) However, Special Agents in the Diplomatic Security Service may not be credited with hours of availability pay.

Annual Certification. Each criminal investigator and the designated supervisory officer shall make an initial, and thereafter, annual certification to the head of the agency attesting that the investigator (1) currently meets the "substantial hours requirement" (unless it is the initial certification) and (2) is expected to meet the requirement during the upcoming 1-year period.

A criminal investigator is eligible for availability pay only if he or she has an annual average of 2 or more hours of unscheduled duty per regular workday. Availability hours (nonwork) on days that are not "regular workdays" cannot be credited for this determination.

A "regular workday" includes each day in the criminal investigator's basic workweek in which the criminal investigator completes at least 4 hours of work. Hours that do not count include overtime hours, unscheduled duty hours, hours when the employee is traveling outside the official duty station, hours of approved leave, holiday hours, and hours of excused absence.

An agency may not pay a criminal investigator receiving availability pay--
(1) annual premium pay for administratively uncontrollable overtime (AUO) work or regularly scheduled standby duty, or (2) overtime pay under the Fair Labor Standards Act. Receipt of availability pay does not affect a criminal investigator's entitlement to other types of premium pay (including title 5 overtime pay) based on regularly scheduled duty hours. However, a criminal investigator receiving availability pay may not be paid any other premium pay based on unscheduled duty hours.

For employees receiving availability pay, title 5 overtime pay is authorized only for overtime work scheduled in advance of the administrative workweek that is either in excess of 10 hours on a day containing part of the basic 40-hour workweek or on a day that does not include part of the basic 40-hour workweek. (Again, see the exception in 5 U.S.C. 5542(e) for employees who perform protective duties.)

An employing agency may deny or cancel a certification for availability pay if a criminal investigator has failed to perform unscheduled duty as assigned or reported. However, the agency must follow adverse action procedures.

Night Pay
Night pay is a 10 percent differential paid to an employee for regularly scheduled work performed at night. Employees who perform night work are entitled to pay for that work at their basic rate of pay plus a night pay differential amounting to 10 percent of their rate of basic pay.

An individual who meets the definition of "employee" in 5 U.S.C. 5541(2) is covered by the night pay provisions, including employees under the General Schedule. Prevailing rate (wage) employees are covered by a separate night shift differential authority.

Generally, night work must be performed between the hours of 6 p.m. and 6 a.m., including night work under a compressed work schedule. For posts located outside the United States, the head of an agency may designate a time after 6 p.m. and before 6 a.m. as the beginning and end, respectively, of night work to accommodate the customary hours of business in the locality. Night pay is paid in addition to overtime, Sunday, or holiday premium pay. Night pay is not basic pay for any purpose. An employee is entitled to night pay for paid leave only when the total amount of paid leave during a biweekly pay period is less than 8 hours. An employee is entitled to night pay when excused from night work on a holiday or another non-workday (this does not apply to alternative work schedule non-workdays).

Flexible Work Schedules. If a flexible work schedule includes 8 or more hours available for work between 6 a.m. and 6 p.m., the employee is not entitled to night pay for voluntarily working flexible hours between 6 p.m. and 6 a.m., including while earning credit hours.

An employee is entitled to night pay for those hours that must be worked between 6 p.m. and 6 a.m. to complete an 8-hour daily tour of duty.

An employee is entitled to night pay for any non-overtime work performed between 6 p.m. and 6 a.m. during designated core hours.

Computation Rules. The following rules apply to computing a night pay differential:

Multiply 10 percent times the employee's rate of basic pay (includes special rates of pay). Include the following geographic payments in basic pay for this computation:

- locality-based comparability payments,
- special pay adjustments for law enforcement officers, and
- continued rates of pay.

Nonforeign Area Cost-of-Living Allowances (COLAs)

The U.S. government pays cost-of-living allowances (COLAs) to approximately 44,000 white-collar civilian Federal employees in Alaska, Hawaii, Guam and the Commonwealth of the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. COLAs are based on differences in living costs between the allowance areas and the Washington, D.C. area. The law requires that the Washington, D.C. area be used as the base for these comparisons, and limits COLAs to a maximum of 25 percent of base pay.

To set the COLA rates, OPM surveys the prices of over 200 items, including goods and services, housing, transportation, and miscellaneous expenses. OPM conducts these surveys in each of the allowance areas and in the Washington, D.C. area. COLAs are exempt from Federal income tax, but may be subject to State and local taxes. They do not count for federal retirement purposes.

Overtime Pay

As a general rule, federal employees receive overtime pay for hours of work officially ordered or approved in excess of 8 hours in a day, or 40 hours in an administrative workweek. Employees who work full-time, part-time, or intermittent tours of duty are eligible for overtime pay. For federal employees, the legal authorization for overtime pay usually comes from one of two sources – the Fair Labor Standards Act or Title 5 of the U.S. Code.

The Fair Labor Standards Act of 1938, as amended (commonly referred to as "the Act" or "FLSA"), is published in law in sections 201-219 of title 29, U.S. Code. The Act provides for minimum standards for both wages and overtime entitlement, and spells out administrative procedures by which covered worktime must be compensated. In addition, the Act exempts specified employees or groups of employees from the application of certain of its provisions.

The Fair Labor Standards Act began applying to employees of the United States Federal Government in 1974. Section 3(e)(2) of the Act authorizes the provisions of the Act to be applied to any person employed by the Government of the United States, as specified in that section.

It is important to understand that the FLSA distinguishes between "exempt" and "nonexempt" employees. "Exempt" employees tend to be "white collar" workers, such as professional and managerial employees. These types of employees are called "exempt" because they are exempted from the minimum wage and overtime provisions of the FLSA. "Nonexempt" employees tend to be "blue collar" workers. Nonexempt employees are not exempt from the minimum wage and overtime provisions of the FLSA – they are covered by the FLSA.

Calculating overtime for FLSA nonexempt employees

Under the FLSA, nonexempt employees must be compensated for all hours of work in excess of 8 in a day or 40 in a workweek at a rate equal to one and one-half times the employee's hourly regular rate of pay. Federal wage system employees and federal employees who are at the GS-10 level and below are usually considered to be nonexempt employees, unless they hold bona fide professional, executive, or administrative jobs.

Calculating overtime for FLSA exempt employees

Most federal employees who are exempt under the FLSA can still receive overtime pay – but they receive it under Title 5 of the U.S. Code, not under the FLSA. Under Title 5 overtime pay provisions, an employee whose rate of basic pay is GS-10, step 1 or less receives overtime pay at the rate of 1.5 times his or her hourly rate of basic pay. Those employees whose rate of basic pay exceeds the GS-10, step 1 rate receive overtime pay at the rate of 1.5 times the hourly rate of basic pay at the GS-10, step 1 rate. (These calculations don't apply to law enforcement officers.)

Note that under current law, overtime pay for federal managers, supervisors, and FLSA-exempt employees (one and one-half times basic pay for work in excess of 40 hours per week) is limited to that given to a GS-10, step 1 employee. However, this cap does not apply to non-managers and supervisors and FLSA nonexempt employees above GS-10, step 1. This difference in the law has led to two anomalies in the overtime provisions. First, certain managers, supervisors, and FLSA-exempt employees above GS-12, step 6, earn less on overtime than they do for the work they perform during regular hours. Second, managers and supervisors may earn substantially less for overtime work than the employees they supervise. For the past several years, legislation has been introduced in Congress to remedy this inconsistency. To date, however, the legislation has not been enacted into law.

Standby Duty Pay

An agency may pay standby duty pay, instead of the premium pay for regularly scheduled overtime, night, holiday, and Sunday work, to an employee in a position requiring him or her regularly to remain at, or within the confines of, his or her station longer than 40 hours per week, a substantial part of which consists of remaining in a standby status rather than performing work. Standby duty pay can be up to 25 percent of the employee's rate of basic pay that does not exceed the rate of pay for GS-10, step 1 (including any applicable locality pay).

Sunday Pay
A full-time employee is entitled to 25 percent of his or her rate of basic pay for work performed during a regularly scheduled basic 8-hour tour of duty that begins or ends on a Sunday. Sunday premium pay is not paid for overtime hours of work.

Employee Coverage. A full-time employee, as defined in 5 U.S.C. 5541(2), is entitled to Sunday premium pay. This definition includes General Schedule employees and certain other white-collar civilian federal employees. Prevailing rate (wage) employees are entitled to Sunday premium pay under 5 U.S.C. 5544(a). Part-time employees are not entitled to Sunday premium pay.

Entitlement. An employee is entitled to his or her rate of basic pay plus Sunday premium pay for up to 8 non-overtime hours of work during each regularly scheduled basic tour of duty that begins or ends on Sunday. Sunday premium pay is equal to 25 percent of an employee's rate of basic pay.

Flexible Work Schedule - A full-time employee under a flexible work schedule is entitled to Sunday premium pay for up to 8 hours of his or her basic work requirement based on electing to work flexible hours during a basic tour of duty that begins or ends on Sunday. However, an agency may preclude employees from working flexible hours during a basic tour of duty that begins or ends on Sunday. Employees may not earn Sunday premium pay when they earn or use credit hours.

Compressed Work Schedule - An employee under a compressed work schedule is entitled to Sunday premium pay for all non-overtime hours the employee works during each regularly scheduled basic tour of duty that begins or ends on Sunday.

Two Tours Of Duty on Sunday. When a full time employee has two separate basic tours of duty on Sunday, he or she is entitled to Sunday premium pay for performing work during each tour of duty. For example, if an employee works 8 hours during a basic tour of duty that begins on Saturday and ends on Sunday, and also works 8 hours during a basic tour of duty that begins on the same Sunday and ends on Monday, the employee is entitled to 16 hours of Sunday premium pay.

Relationship to Overtime Pay. An employee under a standard work schedule is entitled to overtime pay for hours of work on Sunday that are in excess of 8 hours in a day or 40 hours in a week.

Flexible Work Schedule - An employee whose flexible work schedule includes work on Sunday is entitled to overtime pay for hours of work in excess of 8 hours in a day or 40 hours in a week and which are officially ordered in advance. This does not include any flexible hours of work applicable to the employee's basic work requirement.

Compressed Work Schedule - An employee whose compressed work schedule includes work on Sunday is entitled to overtime pay for hours of work in excess of the employee's compressed work schedule on that day.

Relationship to GS Night Pay. When an employee has a regularly scheduled basic tour of duty that begins or ends on Sunday and includes night work (between 6 p.m. and 6 a.m. for GS employees), the employee is entitled to night pay in addition to Sunday premium pay for work during night hours of the Sunday tour of duty. This applies to standard, flexible, and compressed work schedules. (However, see the exception below.)

Flexible Work Schedule - If a flexible tour of duty includes 8 or more hours available for work during daytime hours (i.e., between 6 a.m. and 6 p.m.), an employee is not entitled to night pay even though he or she voluntarily elects to work flexible hours at night.

Relationship to Holiday Premium Pay. When an employee has a regularly scheduled basic tour of duty that begins on Sunday and Sunday is a holiday, the employee is entitled to holiday premium pay and Sunday premium pay for up to 8 hours of work during that basic tour of duty. This applies to standard and flexible work schedules.

Compressed Work Schedule - A Sunday or holiday tour of duty is not limited to 8 hours for an employee under a compressed work schedule.

No Compounding of Premium Pay. Each separate entitlement to premium pay is computed separately as a of Premium Pay percentage of an employee's rate of basic pay. No compounding occurs if an employee is entitled to more than one type of premium pay for the same hour of work.

Paid Leave, Excused Absence, and Holidays on Sunday. Full-time employees who are regularly scheduled to work non-overtime hours on Sunday, but do not work during their Sunday tour of duty because they are on paid leave or excused absence, because they are using compensatory time off or credit hours, or because Sunday is a holiday, are not entitled to Sunday premium pay. Sunday premium pay may be paid only for periods when an employee performs work on Sunday.

Payment for Actual Work. Sunday premium pay is paid for any actual work performed during an employee's Sunday tour of duty. For example, if an employee's Sunday tour of duty is from 8 p.m. on Sunday until 4 a.m. on Monday and the employee is granted annual leave from 8 p.m. until 11 p.m., the employee is entitled to Sunday premium pay for 5 hours for working between 11 p.m. and 4 a.m.

Superseded Regulation. The regulation at 5 CFR 550.171(a) has been superseded by the appropriations restrictions limiting payment of Sunday premium pay to hours when employees actually perform work. Employees may not be paid Sunday premium pay for hours when they are in a leave, excused absence, or holiday status.

First-40 Tours of Duty. Since work under a first-40 tour of duty is regularly scheduled work, an employee under a first-40 tour of duty is entitled to up to 8 hours of Sunday premium pay when the employee performs non-overtime work on Sunday.

Recruitment Bonuses, Relocation Bonuses and Retention Allowances

Recruitment Bonuses
An agency may pay a lump-sum recruitment bonus of up to 25 percent of the annual rate of basic pay to an employee newly appointed to a difficult-to-fill position.

Covered Positions. Recruitment bonuses may be paid to eligible individuals who are appointed to a General Schedule (GS) position or to another type of position for which such payments have been approved by OPM. By regulation, OPM has approved coverage of certain positions, including prevailing rate (wage), senior-level and scientific or professional (SL/ST), Senior Executive Service (SES), and Executive Schedule positions (except agency heads). OPM approves other categories upon written request from the head of the employing agency.

Qualifying Appointments. Recruitment bonuses may be paid to an employee who is "newly appointed" to the federal government, including an employee reappointed with a 90-day break in service. An individual who receives a temporary appointment may be eligible as long as the appointment lasts at least 6 months. (See "Service Agreement," below.)

Service Agreement. Before receiving a recruitment bonus, an employee must sign a written agreement to complete a specified period of employment with the agency. The minimum allowed service period is 6 months.

Agency Plan. Before paying a recruitment bonus, an agency must establish a plan that designates the officials with authority to review and approve payment of recruitment bonuses. The plan must include criteria to be met or considered in authorizing bonuses (including the amount of a bonus), procedures for paying bonuses, requirements for service agreements, and documentation and recordkeeping requirements.

Criteria for Approving Bonus. Before the employee enters on duty, the agency must determine in writing that, in absence of the bonus, the agency would encounter difficulty in filling the position. The agency must consider the following, as applicable: the success of recent efforts to recruit candidates for similar positions, recent turnover in similar positions, labor-market factors, special qualifications needed in the position, and the practicality of using the superior qualifications appointment authority alone or in combination with a recruitment bonus.

Groups of Employees. An agency may target groups of positions that have been difficult to fill in the past or that are likely to be difficult to fill in the future, and may make the required written determination to offer a recruitment bonus on a group basis.

Approval Level. A recruitment bonus must be approved by an agency official who is at a higher level than the official who recommended the bonus, unless there is no official at a higher level. To make a timely offer of employment, a higher level official may establish specific criteria to allow the recommending official to offer a recruitment bonus without further review or approval.

Payment. A recruitment bonus must be calculated as a percentage of the employee's starting annual rate of basic pay (excluding locality pay) at the time of appointment, not to exceed 25

percent. The bonus is paid in a lump sum. A bonus may be paid to an individual not yet employed who has received a written offer of employment and signed a written service agreement.

Basic Pay. A recruitment bonus is not considered part of an employee's rate of basic pay for any purpose.

Repayment. If an employee fails to complete the agreed-upon service period, he or she must repay the portion of the bonus attributable to the uncompleted period. Exception: No repayment is required if the employee is involuntarily separated (for reasons other than misconduct or delinquency).

Relocation Bonuses

An agency may pay a lump-sum relocation bonus of up to 25 percent of the annual rate of basic pay to an employee who must relocate to accept a difficult-to-fill position in a different commuting area.

Covered Positions. Relocation bonuses may be paid to eligible employees who are serving in a General Schedule (GS) position or in another type of position for which such payments have been approved by OPM. By regulation, OPM has approved coverage of certain positions, including prevailing rate (wage), senior-level and scientific or professional (SL/ST), Senior Executive Service (SES), and Executive Schedule positions (excluding agency heads). OPM approves other categories upon written request from the head of the employing agency.

Employee Coverage. Only current employees serving in covered positions may receive a relocation bonus. Newly appointed employees are not eligible.

Service Agreement. Before receiving a relocation bonus, an employee must sign a written agreement to complete a specified period of employment with the agency. There is no minimum service period required by OPM regulations; however, agencies may establish a minimum period under their relocation bonus plans.

Agency Plan. Before paying a relocation bonus, an agency must establish a plan that designates the officials with authority to review and approve payment of relocation bonuses. The plan must include criteria to be met or considered in authorizing bonuses (including the amount of a bonus), procedures for paying bonuses, requirements for service agreements, and documentation and recordkeeping requirements.

Criteria for Approving Bonus. Before the employee enters on duty in the position to which he or she is being relocated, the agency must determine in writing that, in absence of the bonus, the agency would encounter difficulty in filling the position. The agency must consider the following, as applicable: the success of recent efforts to recruit candidates for similar positions, recent turnover in similar positions, labor-market factors, and special qualifications needed in the position. *Important:* Approval of the bonus is contingent on the employee's changing his or her place of residence in conjunction with acceptance of a position in a different commuting area.

Case-by-Case Determinations. Agency determinations to pay a relocation bonus normally must be made on a case-by-case basis. However, it is appropriate for an agency to identify groups of positions that have been difficult to fill in the past or that may be difficult to fill in the future, and to use a group-targeted approach in identifying candidates for bonuses.

Groups of Employees. Under certain conditions, an agency may waive the case-by-case approval requirement for employees with a rating of at least "Fully Successful" (or equivalent) - for example, when these employees are part of a major organizational unit that is being relocated to a different commuting area. (Note: These groups must be approved using the same criteria that apply to individuals.)

Approval Level. A relocation bonus must be approved by an official of the agency who is at a higher level than the official who recommended the bonus, unless there is no official at a higher level.

Payment. A relocation bonus must be calculated as a percentage of the initial annual rate of basic pay (excluding locality pay) for the employee's new position, not to exceed 25 percent. The bonus is paid in a lump sum. The agency may not pay the relocation bonus until the employee establishes a residence in the new commuting area.

Law Enforcement Officers. An agency may pay a relocation bonus of up to the greater of $15,000 or 25 percent of basic pay to a law enforcement officer paid under the General Schedule.

Basic Pay. A relocation bonus is not considered part of an employee's rate of basic pay for any purpose.

Repayment. If an employee fails to complete the agreed-upon service period, he or she must repay the portion of the relocation bonus attributable to the uncompleted period of service. Exception: No repayment is required if the employee is involuntarily separated (for reasons other than misconduct or delinquency), or if the employee is involuntarily relocated to a different commuting area.

Retention Allowances

An agency may pay a retention allowance of up to 25 percent of basic pay to an employee if the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services makes it essential to retain the employee, and the agency determines that the employee would be likely to leave the federal service without the allowance.

Position Coverage. Retention allowances may be paid to current Federal employees holding a General Schedule (GS) position or another type of position for which such payments have been approved by OPM. By regulation, OPM has approved coverage of certain positions, including prevailing rate (wage), senior-level and scientific or professional (SL/ST), Senior Executive Service (SES), and Executive Schedule positions (except agency heads). OPM approves other categories upon written request from the head of the employing agency.

Agency Plan. Before paying a retention allowance, an agency must establish a plan that designates the officials with authority to review and approve payment of allowances. The plan must include criteria to be met or considered in authorizing allowances (including the amount of an allowance), procedures for paying allowances, and documentation and recordkeeping requirements.

Approval Criteria. Before paying a retention allowance, an agency must determine that-

- the unusually high or unique qualifications of the employee or a special need for the employee's services makes it essential to retain the employee; and
- the employee would be likely to leave the federal service (for any purpose) in the absence of the allowance.

The agency must document the basis for this determination in writing. It must address the extent to which the employee's departure would affect the agency's ability to carry out an activity or perform a function that is essential to the agency's mission. It should also address the success of recent efforts to recruit candidates with similar qualifications and the availability of candidates in the labor market, as applicable.

Groups of Employees. An agency may pay a retention allowance of up to 10 percent of basic pay (or up to 25 percent with OPM approval) to a group or category of employees**.**

Payment. A retention allowance must be calculated as a percentage of the employee's rate of basic pay (excluding any locality payment), not to exceed 25 percent. It is paid at the same time as the employee's regular paycheck (usually biweekly).

An agency may not begin paying a retention allowance during the service period established by the employee's recruitment or relocation bonus service agreement. However, a relocation bonus may be paid to an employee already receiving a retention allowance.

Annual Review. Agencies must review each retention allowance authorization at least annually to determine whether payment is still warranted.

Reduction or Termination of a Retention Allowance. An agency may continue payment of a retention allowance as long as the conditions giving rise to the original determination to pay the allowance still exist. An agency may reduce or terminate an allowance if, for example, a lesser amount would be sufficient to retain the employee, the agency no longer needs the employee's services, or for budget considerations.

Basic Pay. A retention allowance is not considered part of an employee's rate of basic pay for any purpose.

Aggregate Pay Limitation. An agency may not authorize or continue a retention allowance if the allowance would cause the employee's projected aggregate compensation in a calendar year to exceed the rate for level I of the Executive Schedule. An agency must reduce or terminate a retention allowance before deferring any other type of payment under the deferral provision in the aggregate pay limitation regulations.

Group Retention Allowances

An agency may pay a retention allowance of up to 10 percent of basic pay (or up to 25 percent with OPM approval) to a group or category of employees if -

- the unusually high or unique qualifications of the employees or a special need of the agency for the employees' services makes it essential to retain the employees in the group, and
- it is reasonable to presume that there is a high risk that a significant number of employees in the targeted group would be likely to leave the federal service for any reason in the absence of the allowance.

Position Coverage. Group-based retention allowances may be paid to current Federal employees holding a General Schedule (GS), prevailing rate (wage), or another type of position for which such payments have been approved by OPM. Exception: An agency may not authorize a group-based retention allowance for groups of senior-level and scientific or professional (SL/ST) employees, Senior Executive Service (SES) members, Executive Schedule positions, Presidential appointees, or similar positions.

Defining the Group. An agency must narrowly define the targeted group of employees to be paid a retention allowance using factors such as occupational series, grade level, distinctive job duties, unique qualifications, assignment to a special project, minimum agency service requirements, organization or team designation, geographic location, and performance level. (Note: An agency may not establish performance level as the sole or primary basis for authorizing a retention allowance.)

Likely to Leave. To support its determination that there is a high risk that a significant number of employees in the group targeted to receive a retention allowance are likely to leave, the agency should gather evidence of extreme labor market conditions, high demand in the private sector for the knowledge and skills possessed by the employees, significant disparities between federal and private sector salaries, and/or other similar conditions.

OPM Approval. Agency requests to OPM for approval of a group retention allowance in excess of 10 percent, but not more than 25 percent, of basic pay must include—

- a description of the group and the number of employees to be covered by the proposed retention allowance,
- a written determination that the group of employees meets the conditions for payment,
- the proposed percentage retention allowance payment and a justification for that percentage,
- the expected duration of retention allowance payments, and
- any other pertinent information.

These requests must be submitted by the agency head (or designee). OPM may require that such requests be coordinated with other agencies with similar employees.

Other Provisions. An agency may pay a group-based retention allowance to any individual in the targeted group if all other conditions and requirements for payment of a retention allowance are met. For example, a retention allowance may not be paid during the service period for an existing

recruitment or relocation bonus service agreement. Also, a retention allowance may not be authorized or continued if the payments would cause the employee's projected aggregate compensation in a calendar year to exceed the rate for level I of the Executive Schedule.

Severance Pay

Severance pay is authorized for employees who are involuntarily separated from federal service and who meet other conditions of eligibility. Both full-time and part-time employees with a regularly scheduled tour of duty are entitled to severance pay.

Eligibility for severance pay. To be eligible for severance pay, an employee must:

- Be serving under a qualifying appointment;
- Have completed at least 12 months of continuous service; and
- Be removed from Federal service by involuntary separation.

An employee is not eligible for severance pay if he or she:

- Is serving under a nonqualifying appointment;
- Declines a reasonable offer;
- Is serving under a qualifying appointment in an agency scheduled by law or Executive order to be terminated within 1 year after the date of the appointment, unless on the date of separation, the agency's termination has been postponed to a date more than 1 year after the date of the appointment, or the appointment is effected within 3 calendar days after separation from a qualifying appointment;
- Is receiving injury compensation, unless the compensation is being received concurrently with pay or is the result of someone else's death; or
- Is eligible upon separation for an immediate annuity from a federal civilian retirement system or from the uniformed services. Such an employee is ineligible even if all or part of the annuity is offset by payments from a non-federal retirement system the employee elected instead of federal civilian retirement benefits or disability benefits received from the Department of Veterans Affairs.

Computing severance pay. The basic severance pay allowance consists of the following:

- One week of pay at the rate of basic pay for the position held by the employee at the time of separation for each full year of creditable service through 10 years;
- Two weeks of pay at the rate of basic pay for the position held by the employee at the time of separation for each full year of creditable service beyond 10 years; and
- Twenty-five percent of the otherwise applicable amount for each full 3 months of creditable service beyond the final full year.

Age adjustment allowance. The basic severance pay allowance is augmented by an age adjustment allowance consisting of 2.5 percent of the basic severance pay allowance for each full 3 months of age over 40 years.

Lifetime limitation. The severance pay fund is limited to that amount which would provide 52 weeks of severance pay (taking into account any weeks of severance pay previously received).

Creditable service. The following types of service are creditable for computing an employee's severance pay:

- Civilian service as an employee, excluding time during a period of nonpay status that is not creditable for annual leave accrual purposes;
- Service performed with the United States Postal Service or the Postal Rate Commission;
- Military service, including active or inactive training with the National Guard, when performed by an employee who returns to civilian service through the exercise of a restoration right provided by law, Executive order, or regulation;
- Service performed by an employee of a nonappropriated fund instrumentality of the Department of Defense or the Coast Guard, who moves to a position within the civil service employment system of the Department of Defense or the Coast Guard, respectively, without a break in service of more than 3 days; and
- Service performed with the government of the District of Columbia by an individual first employed by that government before October 1, 1987, excluding service as a teacher or librarian of the public schools of the District of Columbia.

Termination of severance pay entitlement. Entitlement to severance pay ends when:

- The individual entitled to severance pay is employed by the government of the United States or the government of the District of Columbia, unless employed under a nonqualifying time-limited appointment; or
- The severance pay fund is exhausted.

Dual Employment (More Than 1 Job)

Generally federal employees, civilian and military, are prohibited from receiving pay from more than one federal government source. The laws on dual employment apply to agencies in the executive, legislative and judicial branches, corporations owned or controlled by the government, and nonappropriated fund organizations under the jurisdiction of the armed forces.

Civilian federal employees can hold more than one government job in some limited situations. An individual may have more than one federal appointment, but may receive pay from more than one civilian job only when:

- the jobs total no more than 40 hours of work a week, Sunday to Saturday (excluding overtime); or
- there is an authorized exception.

This means an employee on leave without pay (LWOP) from one position may be paid for another position. Paid leave, however, counts toward the 40-hour-per week limitation unless there is an authorized exception.

Authorized exceptions to the limitation on pay for more than 40 hours a week include:

- exceptions in law, e.g., with agency approval federal employees can work for the U. S. Postal Service;
- emergency services relating to health, safety, protection of life or property, or national emergency;
- expert and consultant jobs when working different hours as an intermittent employee; and

- fee paid on other than a time basis (lump-sum pay for a report, research product or service not based on the number of hours or days worked).

Also, in unusual circumstances, federal agencies can make exceptions to obtain required personal services when they cannot be readily obtained otherwise.

Civilian Federal Employees Working in Outside (Nonfederal) Jobs

Federal employees shall not engage in outside employment or activities that conflict with official duties and responsibilities. Many federal agencies have written policies that allow outside employment, especially when it is not related to the federal work and will not result in, or create the appearance of, a conflict of interest.

Agency policies may require employees to receive prior approval for outside employment even when co-workers have similar outside jobs. Ask your supervisor, agency ethics official, and agency personnel office for further information.

Members of a Uniformed Service Holding Civilian Government Jobs

Members of a Uniformed Service (Army, Navy, Marines, Air Force, etc.) on active duty may not receive pay from another government position, except during terminal leave, or unless specifically authorized by law. Enlisted personnel may be employed part-time during off-duty hours in Department of Defense nonappropriated fund activities. Members of the Armed Forces Reserves and members of the National Guard may receive military pay and allowances in addition to pay from another government position.

* Note: With appropriate agency approval, federal employees may work for the District of Columbia (DC) government.

Employment of Retirees (Dual Compensation Issues)

Retirees can work for the federal government. However, federal civilians will have their salary reduced by the amount of their annuity unless an exception is approved. In addition, retirees under age 70 may have their Social Security check reduced if their annual earnings exceed the established limit.

Federal Retirees under CSRS and FERS

Most retirees under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) will have their hourly pay reduced by the hourly rate of the annuity when reemployed by the federal government. These laws apply to federal jobs in the legislative, executive, and judicial branches (including government corporations, nonappropriated fund instrumentalities under the jurisdiction of the armed forces, and the U.S. Postal Service). Generally, the law requires that the employing agency reduce the retiree's hourly pay by the hourly rate of their annuity. This reduction equals the retiree's annual annuity divided by 2087. For example, if a job's gross pay is $15.80 per hour and a retiree's hourly annuity rate is $5.80, then the retiree's gross pay is reduced to $10.00 per hour. If a retiree works for a year, his or her retirement is recalculated with this added service.

Note: If retirement was due to involuntary separation or disability, the annuity may terminate upon reemployment. These retirees should check with the employing agency or call OPM's Retirement Information Office at 1-888-767-6738.

Military Retirees
Retirees of U.S. Uniformed Services are now treated as other retirees (see next heading). Prior reductions in military retired pay were repealed by P.L. 106-65 in October 1999.

Other Retirees - Private Sector, State, and Local Government
Generally, when other retirees become a federal employee there is NO reduction in their federal pay or in their retirement pay or annuity. However, paid work may reduce Social Security retirement, survivors or disability benefits if earnings exceed the established limits. For details, contact the Social Security Administration at 1-800-772-1213.

Exceptions for CSRS and FERS Retirees
Federal agencies may request authority to waive the salary reduction in special and unusual circumstances. The law limits waivers to "positions for which there is exceptional difficulty recruiting or retaining a qualified employee" and to temporary employment while "the authority is necessary due to an emergency involving a direct threat to life or property or other unusual circumstances." Agencies can use criteria and procedures in 5 CFR part 553 to request exceptions. Generally, to qualify for an exception, a retiree must be the only qualified applicant available or be uniquely qualified for the job. Generally, the USAJOBS (www.usajobs.opm.gov) vacancy notice will indicate when an agency has waiver authority or anticipates requesting it.

Retaining Reinstatement Eligibility
Retirees who obtained federal reinstatement eligibility before they retired do NOT lose it because they retire.

Recent Legislative Changes

This section contains several changes in pay and leave administration resulting from enactment of the National Defense Authorization Act for Fiscal Year 2002 (Public Law 107-107, December 28, 2001).

Health Benefits for Reservists Called to Active Duty in Support of Contingency Operations
Section 519 of Public Law 107-107 amends subsection (e) of section 8906 of title 5, United States Code, to provide agencies with discretionary authority to pay both the employee and Government health benefit contributions (and any additional administrative expenses related to health care coverage) for certain employees called to active duty and their families for a period not to exceed 18 months. The employee must (1) be enrolled in an approved health benefits plan, (2) be a member of a reserve component of the armed forces, (3) be called or ordered to active duty in support of a contingency operation, (4) be placed on leave without pay or separated from service to perform active duty, and (5) serve on active duty for a period of more than 30 consecutive days. This new authority applies to employees called to active duty on or after December 8, 1995, and agencies may make retroactive payments to covered employees for

premiums paid on or after that date.

Military Leave for Funeral Honors Duty
Section 563 of Public Law 107-107 amends 5 U.S.C. 6323(a)(1) to permit employees to use the 15 days of military leave provided under that section for "funeral honors duty" as described in section 12503 of title 10 and section 115 of title 32, United States Code. This new entitlement to military leave became effective on December 28, 2001.

Each agency is responsible for administering the use of military leave for funeral honors duty for its employees. OPM has no authority to issue regulations governing this new provision.

Payment of Expenses to Obtain Professional Credentials
Section 1112 of Public Law 107-107 amends chapter 57 of title 5, United States Code, by adding a new §5757 that provides agencies with discretionary authority to use appropriated funds or funds otherwise available to the agency to pay for (1) expenses for employees to obtain professional credentials, including expenses for professional accreditation, State-imposed and professional licenses, and professional certification; and (2) examinations to obtain such credentials. Agencies may not use this authority on behalf of any employee occupying or seeking to qualify for appointment in any position that is excepted from the competitive service because of the confidential, policy-determining, policy-making, or policy-advocating character of the position.

Monroney Amendment
Section 1113 of Public Law 107-107 reinstates a pay provision for the Department of Defense's (DOD's) blue-collar workforce commonly known as the Monroney Amendment. The Monroney Amendment requires the importation of out-of-area wage data for local wage surveys when large numbers of Federal Wage System (FWS) employees are employed in specialized occupations (e.g. aircraft mechanic, electronics mechanic, etc.), but few comparable jobs in local private sector companies. This provision will apply in certain wage areas that meet specified employment threshold levels on the next normal effective date of each applicable wage schedule. OPM will issue guidance on the implementation of this change after receiving advice from the Federal Prevailing Rate Advisory Committee.

Biweekly and Annual Limitations on Premium Pay
Section 1114 of Public Law 107-107 modifies the biweekly and annual limitations on premium pay under 5 U.S.C. 5547, removes the separate premium pay limitation for law enforcement officers, and provides agencies with authority to waive the biweekly premium pay limitation for employees performing work critical to the mission of the agency. The new premium pay limitations will become effective on the first day of the first pay period beginning on or after April 27, 2002. OPM will issue interim regulations governing these new premium pay limitations on or before that date.

An amendment to 5 U.S.C. 5547(a) provides that an employee, including a law enforcement officer, may receive premium pay in a pay period only to the extent that the aggregate of basic pay and premium pay for the pay period does not exceed the greater of the biweekly rate for (1)

GS-15, step 10 (including any applicable special salary rate or locality rate of pay), or (2) level V of the Executive Schedule.

An amendment to 5 U.S.C. 5547(b) provides that the biweekly premium pay cap in section 5547(a) does not apply in any pay period during which an employee, including a law enforcement officer, receives premium pay for work in connection with an emergency (including a wildfire emergency) that involves a direct threat to life or property. The amendment clarifies that work in connection with an emergency includes work performed in the aftermath of the emergency. Such employees may receive premium pay only to the extent that the aggregate of basic pay and premium pay for the calendar year does not exceed the greater of the annual rate for (1) GS-15, step 10 (including any applicable special salary rate or locality rate of pay), or (2) level V of the Executive Schedule.

Another amendment to 5 U.S.C. 5547(b) provides the head of an agency with discretionary authority to waive the biweekly premium pay limitation in § 5547(a) for an employee, including a law enforcement officer, who receives premium pay to perform work critical to the mission of the agency. Such employees may receive premium pay only to the extent that the aggregate of basic pay and premium pay for the calendar year does not exceed the greater of the annual rate for (1) GS-15, step 10 (including any applicable special salary rate or locality rate of pay), or (2) level V of the Executive Schedule.

An amendment to 5 U.S.C. 5547(c) authorizes OPM to prescribe regulations governing how the annual limitation provisions in §5547(b) apply to employees receiving certain forms of regularly recurring premium payments (i.e., availability pay for criminal investigators under 5 U.S.C. 5545a, administratively uncontrollable overtime pay under 5 U.S.C. 5545(c)(2), standby duty premium pay under 5 U.S.C. 5545(c)(1), and regular overtime pay for firefighters covered by 5 U.S.C. 5545b). The regulations may provide that these types of premium pay continue to be capped on a biweekly basis even though other types of premium pay are capped on an annual basis.

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Awards

Federal agencies are authorized to grant awards to their employees to recognize and reward good performance. Below are the primary types of awards that are given to federal employees, and the circumstances under which the awards may be made.

Awards for Federal Employees
Regulations provide for four forms of awards that can be given to federal employees: lump-sum cash awards, honorary awards, informal recognition awards, and time off awards.

Restrictions on Amount of Cash Awards
There are certain restrictions on the amount of a cash award that a federal employee can receive. Any cash award over $10,000 must be approved by OPM. For awards over $25,000, the President must approve the amount over $25,000.

Honorary Awards v. Informal Recognition Awards
Honorary awards are generally symbolic and usually do not involve monetary recognition at all. They are a gesture of respect given to employees to recognize their performance and value to the organization. Many agencies include this traditional form of high-level, formal recognition as part of their overall incentive awards programs. Informal recognition awards, on the other hand, are a type of award that may be given to reward performance that otherwise might not merit an award such as cash, time-off, or an honorary award. Agencies use these awards to provide more frequent and timely informal recognition to employees.

Coverage for Contract Employees
Employees of outside contractors may not receive direct payments from the federal government. Their employment, including pay, rewards, and discipline, must be handled by their employer - the contractor - not the federal government. In some situations, federal employees and contract employees work side by side as members of the same overall work teams. In such cases, it might be desirable to use procurement flexibilities to set up a parallel awards program for the contract employees, which the contractor would be required to fund and administer. Under the terms of the contract, the government could make additional payments to the contractor according to performance-related criteria specified in the contract, to provide the funds which the contractor would then distribute to the contract employees. Setting up and operating such a program would have to conform to procurement regulations, limitations, and requirements. Personal services contracts could also be written to allow for performance-contingent payments. The key issue is that such payments to individuals, whether under personal services or non-personal services contracts, would not be made under the awards authorities in title 5, United States Code.

Coverage of Both Civilian and Military Employees
An awards program can cover both civilian and military employees, but only to the extent that the program covers awards for suggestions, inventions, or scientific achievements. For those categories of awards, an agency can choose to have a single program in which both civilian and

military employees can participate, or even a specific award for which both might be eligible. Otherwise, for all other types of awards authorized by chapter 45 of title 5, United States Code, military employees are excluded.

Granting an Award to a Private Citizen
It may be possible to recognize the contributions of private citizens to the government, but it would not be done under the awards programs authorized by chapter 45 of title 5, United States Code. The awards statute in title 5 only authorizes granting awards to and recognition of federal employees. An agency head may have other general authorizations and access to other funds for the accomplishment of the agency's mission that might be accessible for the recognition of private citizens who have made significant contributions to the completion of the agency's mission or the improvement of the government.

Awards for SES Employees under Subpart A of Part 451 of Title 5, CFR
Agencies can give Senior Executive Service (SES) employees any awards under subpart A of part 451 for which they qualify and are eligible. The specific exception in the regulations at section 451.104(a)(3) of title 5, Code of Federal Regulations, refers to performance awards because there is a separate statutory and regulatory authority for granting performance awards to SES employees.

Suggestion Award Programs
Agencies are not required by law or regulation to set up suggestion award programs. OPM says that it is aware that some agencies have redesigned and streamlined their programs to reward employee ideas and innovations, but that agencies should remember that Congress established the suggestion award authority as the foundation of all employee incentive award authorities. OPM says that the program is rooted in a presumption that governmentwide - not just agencywide - benefits are to be determined and rewarded. Consequently, OPM expects agencies to extend their interdepartmental good will and cooperate when suggestions are referred to them from other agencies for evaluation and possible adoption, even if the receiving agency has curtailed formal procedures for its own employees. Agencies that have retained their existing submission and evaluation systems rightfully expect reasonable consideration of ideas their employees put forward, says OPM

Performance Awards
Performance awards are lump-sum cash awards based on ratings of record of Level 3 (Fully Successful or equivalent) or higher. Rating-based performance awards are included among the various types of awards available under part 451 of title 5, Code of Federal Regulations. Agencies can use the rating of record as the sole basis for granting a performance award.

Payment of Performance Awards by Agencies Not Covered by Part 430
Agencies not covered by Part 430 of Title 5, Code of Federal Regulations (CFR) may pay performance awards. The provision at section 451.104(a)(3) of title 5, CFR, regulates the statutory authority to pay performance-based cash awards by specifying the use of a rating of record under the provisions of 5 CFR 430 as the sole justification for such an award. However, since the statutory authority permits any agency to pay a performance-based cash award to a General Schedule employee based on a rating of "Fully Successful" or better, agencies that are

not covered by the provisions of 5 CFR 430 can still use their official agency performance rating as the justification for the award.

Cash Performance Awards Under "Pass/Fail" Appraisal Program
An agency may provide a cash performance award to an employee who receives a "pass" rating under a "Pass/Fail" appraisal program. A "pass" rating in a two-level appraisal program is a Level 3 (Fully Successful or equivalent) summary level. The law at section 4505a of title 5, United States Code, which covers General Schedule employees, states that "an employee whose most recent performance rating was at the Fully Successful level or higher (or the equivalent thereof) may be paid a cash award." Eliminating the higher summary levels also eliminates the further performance distinctions that many agencies had applied in granting rating-based performance awards. Although not required, it was not uncommon for agencies to restrict the use of rating-based awards to employees with ratings of record above Level 3. Under a two-level appraisal program, agencies need to develop additional criteria for selecting employees who should receive cash performance awards and for granting awards of different amounts.

Technically, agencies will be free to continue to use just a Level 3 rating of record as the legal criterion for granting a cash award. However, OPM advises agencies to make some record of the additional performance distinctions they make to select award recipients and thereby prevent perceptions of awards being arbitrary or capricious.

Rating-Based Performance Awards Subject to Approval Thresholds
Rating-based performance awards are subject to the $10,000 and $25,000 approval thresholds. Under sections 4502(a) and (b) of title 5, United States Code, and the implementing regulations, such awards always have been subject to OPM and Presidential approval, respectively. Section 4505(a), of title 5, United States Code, further restricts performance awards to no more than 10 percent of the employee's annual rate of basic pay, excluding any locality-based comparability payment, except that a rating-based award may exceed 10 percent if the agency head determines that an employee's exceptional performance justifies such an award. However, in no case may a rating-based award exceed 20 percent of the employee's annual rate of basic pay, excluding locality-based comparability payments.

Granting Performance Awards For Non-Recurring Contributions
Performance awards, as the terminology is used, refer to cash awards granted on the basis of the rating of record, which generally summarizes the employee's performance over an extended period of time, i.e., the full appraisal period. The more important flexibility now in the regulations is that the contribution that may merit a special act or service award is no longer defined as a "non-recurring" contribution. This new flexibility should make it easier for agencies to design award programs that recognize the successful or improved accomplishment of work projects that by their nature can be considered "recurring contributions."

Honorary Awards
An honorary award is a gesture of respect given to an employee to recognize his or her performance and value to the organization. Honorary awards are generally symbolic. Many agencies include as part of their overall incentive awards programs a traditional form of high-level, formal "honor awards." Often, such honor award programs do not use monetary

recognition at all, but emphasize providing formal, highly symbolic recognition of significant contributions and publicly recognizing organizational heroes as examples for other employees to follow. They typically involve formal nominations, are granted in limited numbers, and are approved and presented by senior agency officials in formal ceremonies. The items presented, such as engraved plaques or gold medals, may be fairly expensive to obtain. However, they are principally symbolic in nature and should not convey a sense of monetary value. In other, more routine situations, many honorary awards are provided to commemorate the presentation of cash or time-off awards. As mementos, such non-monetary honorary award items may not be particularly expensive; indeed, they may be of only nominal value (e.g., simple certificates in inexpensive frames, lapel pins, paperweights). Nonetheless, all items used as honorary awards must meet specific criteria.

Criteria For Honorary Awards

Because honorary awards represent symbolic formal recognition, items presented as honorary awards must meet all of the following criteria:

- **The item must be something that the recipient could reasonably be expected to value, but not something that conveys a sense of monetary value.** A basic principle of symbolic awards is that their primary value should be as a form of recognition and not as an object with monetary value. If monetary recognition is intended, the agency should use the explicit authority provided by Congress to grant a cash award. Care also should be taken to consider what the recipient might find attractive, gracious, and complimentary.
- **The item must have a lasting trophy value.** An honorary award that is intended to have abiding symbolic value loses that value if it does not have a lasting form. Consequently, items must be neither intangible nor transitory, such as food or beverages. Vouchers and tickets to events, while technically tangible themselves, do not meet this criterion because they are intended to be redeemed for something that does not have lasting value.
- **The item must clearly symbolize the employer-employee relationship in some fashion.** Affixing, imprinting, or engraving an agency seal or logo on an honorary award item is an obvious way to meet this criterion. However, putting a logo on an item that otherwise has no connection to the employee's work (e.g., a child's toy or sporting equipment) would not meet this criterion. In some cases, adding such a seal or logo might not be practical or necessary to meet this criterion (e.g., a plain desk globe might be appropriate for an employee who handles international matters for the agency). Further, an item that meets this criterion in one agency, because of its mission or the employee's job, might not meet it in another agency (e.g., a desk globe would not be appropriate for an accountant in an agency with no international programs). Consequently, each agency is responsible for determining whether items meet this criterion.
- **The item must take an appropriate form to be used in the public sector and to be purchased with public funds.** Some items may meet the other criteria, but still not be appropriate. For example, it would not be appropriate to purchase a firearm as an honorary award, even to recognize a law enforcement official. Agency officials must take responsibility for assuring that the authority to "incur necessary expense for honorary recognition" is used in a manner that shows good judgment and preserves the credibility and integrity of the federal government's awards program.

Informal Recognition Awards

Informal recognition awards are a type of award that may be given to recognize performance that, taken alone, does not merit a larger award, such as cash, time-off, or an honorary award. Agencies are finding that they can effectively and efficiently achieve many of the goals of a recognition and incentive award program by providing more frequent, timely, and informal recognition of employee and group contributions. OPM has used its regulatory authority to provide for this form of recognition at section 451.104(a) of title 5, Code of Federal Regulations, as an appropriate agency use of the statutory authority to "incur necessary expense for honorary recognition." Because these informal recognition awards are intended to recognize contributions of lesser scope that might otherwise go unrecognized, they are subject to fairly general criteria.

Criteria For Informal Recognition Awards

Items used effectively and efficiently as informal recognition award items are often extremely casual and low-cost. In addition, informal recognition awards typically have more informal approval procedures and presentation settings than honorary awards. However, it is important to remember that some contribution must still form the basis for using an informal recognition award and be clearly acknowledged as part of any presentation, however informal. Items presented as informal recognition awards must meet the following criteria:

- **The item must be of nominal value.** The value of the award should be commensurate with the contribution being recognized. These awards recognize contributions that would not ordinarily merit formal recognition. No exact dollar value is set as nominal. Nevertheless, agencies are expected to use good judgment and remember that nominal generally refers to a low monetary value.
- **The item must take an appropriate form to be used in the public sector and to be purchased with public funds.** Some items may be inexpensive but still not be appropriate. Agency officials are responsible for determining that the items used as informal recognition awards demonstrate good judgment and preserve the credibility and integrity of the federal government's awards program.

Merchandise Items

In some limited circumstances, merchandise items could be used as an honorary award or informal recognition award. Merchandise may be used for awards purposes if and only if the item meets the criteria for an honorary award or an informal recognition award. Agencies need to be aware that the Internal Revenue Service (IRS) considers merchandise to be a taxable fringe benefit that must be taxed on its fair market value. Further questions on taxable fringe benefits should be directed to the IRS.

Gift Certificates

Agencies may present such certificates and vouchers if they are being used as informal recognition awards. Merchant gift certificates should not be confused with cash surrogates (which are vouchers or checks that can be easily and widely redeemable for cash, not merchandise). Gift certificates usually are given when the intent is to give something, but let the recipient make the final choice. Merchandise certificates cannot meet a cash surrogate's criterion of being easily negotiable because of limitations on where, how, and for what they may be redeemed. Gift certificates fail to meet the criteria for honorary awards because they convey a clear monetary value and cannot be characterized as symbolizing the employer-employee

relationship. Consequently, the only circumstance where a gift certificate may be used to recognize an employee contribution is as an informal recognition award, which may not exceed nominal value.

Agencies also need to be aware that the IRS considers gift certificates to be taxable fringe benefits that must be taxed on their fair market value. The face value of a gift certificate would be considered its fair market value. Further questions on taxable fringe benefits should be directed to the IRS.

Savings Bonds
OPM has determined that U.S. Savings Bonds have distinctive, positive qualities that make them appropriate recognition items. Despite the fact that U.S. Savings Bonds clearly convey a sense of monetary value, a savings bond must be considered a form of honorary award since it is a federal contract that must be purchased and held for a minimum of 6 months before it can be redeemed. Its "failure" to meet the honorary award criterion regarding a sense of monetary value need not preclude its use. The other criteria are met since its minimum 6-month holding period gives it some lasting value, it certainly can be considered symbolic of the employee-employer relationship for any federal employee, and it is appropriate to the public sector. Consequently, OPM has concluded that a savings bond may be used as an honorary award. When of nominal value, a savings bond also can be used as an informal recognition award since it meets the required criteria. Keep in mind, though, that OPM considers savings bonds to be a special case, and says that it expects that **all** the criteria for using items as honorary awards and informal recognition awards will be applied in other cases.

Again, the IRS considers savings bonds to be taxable on their fair market value. The cost of a savings bond would be considered its fair market value. Further questions should be directed to the IRS.

Time-Off Awards
As its name suggests, a time-off award allows an employee to take time off the job without losing pay or using earned leave.

Limits on the number of hours that can be granted as a time-off award
There are no governmentwide limits on granting time-off awards. However, agencies are free to establish their own guidelines and limitations on how much time off is appropriate for various employee contributions, as well as overall periodic limits that may be useful for preserving the integrity of their time-off award program and preventing abuse and/or criticism.

Regulatory Limitations Applicable to Time-off Awards
The regulations provide that time-off awards shall not be converted to cash. Agencies must document a time-off award, as well as cash awards, in compliance with the OPM rules. In addition, agencies are required to submit time-off awards, as well as cash awards, data to the Central Personnel Data File.

Offering the Employee a Choice of Time-off or a Cash Award

Technically, there is no legal bar to offering a choice between a time-off or a cash award. However, OPM strongly recommends that agencies not offer such a choice. To do so would put the employee who opts for time-off in "constructive receipt," for tax withholding purposes, of the cash award offered. Appropriate withholding based on the cash award offered would have to be done at the time the choice is offered (i.e., when the employee reasonably would be expected to receive the cash), rather than based on the pay associated with the time off when the time off is actually taken.

If an employee chooses time off after being offered a choice between time off or cash as an award, the following difficulties can arise:

- it will be difficult to explain to the employee the basis for the unexpected additional tax withholding that occurs as a result of the constructive receipt of the cash award; and
- the administrative burden on the agency may well be prohibitive because agencies would be responsible when the choice of award is offered for assuring that the initial withholding based on the cash award offered is made at that time. When the time-off award is actually used, the agency would be responsible for comparing the amount already withheld for the cash award offered and the amount that otherwise would be due based on the pay for the time off. No additional withholding would be made if the tax due for the time off is at least equal to the tax already withheld for the cash offered. If pay for the time off is greater than the cash award offered, an additional withholding is made on the difference when the time-off award is used.

Special Awards for the Senior Executive Service

Presidential Rank Awards

Each year, the federal government recognizes a small group of career Senior Executives with the Presidential Rank Award. OPM characterizes winners of this prestigious award as strong leaders who achieve results and consistently demonstrate strength, integrity, industry and a relentless commitment to excellence in public service.

There are two categories of Presidential Rank Awards – Distinguished Executives and Meritorious Executives. Award winners are chosen through a rigorous selection process. They are nominated by their agency heads, evaluated by boards of private citizens, and approved by the President. The evaluation criteria focus on the executive's leadership in producing results.

Distinguished Executives receive a lump-sum payment of 35 percent of their base pay, a gold pin, and a framed certificate signed by the President. Only 1 percent of career SES members may receive the award.

The Meritorious Executive award is given for long-term accomplishments. Only 5 percent of career SES members may receive the award, which includes a lump-sum payment of 20 percent of the executive's base pay, a silver pin, and a framed certificate signed by the President.

The percentage of career SES members who may receive each award is based on the governmentwide SES population as of September 30th of the previous year.

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The Thrift Savings Plan

The Thrift Savings Plan is a retirement and savings investment plan for federal employees. Congress established the TSP in 1986 for the purpose of providing federal employees with retirement income. The TSP offers federal employees the same type of savings and tax benefits that many private corporations offer their employees under so-called "401(k)" plans. You can participate in the TSP if you are covered by the Federal Employees' Retirement System (FERS), the Civil Service Retirement System (CSRS), or an equivalent retirement plan.

The Thrift Savings Plan is an important benefit designed to help federal employees save for the future. If you are a newly hired FERS employee, you can begin your contributions to the TSP immediately. When you become eligible, your agency will contribute an amount equal to 1% of your base salary each pay period. In addition, your agency will match your contributions up to certain limits set by law. To take advantage of all the agency matching money that is available, you would need to contribute 5% of your basic pay each pay period. You can contribute more or less, however.

You may think that you are too young or financially constrained to worry about retirement. Remember, though, that delaying your decision to contribute means that you miss out on agency matching contributions that you can never recapture.

If you are a CSRS employee, you do not receive any agency money, but like FERS employees, you decide how your money is invested, and you don't pay taxes on it or its earnings until you take it out.

In January 2002, members of the uniformed services (including members of the Ready Reserve) could begin to participate in the TSP. Although there are similarities between the TSP features applicable to CSRS employees and to members of the uniformed services, uniformed services members should read the "Summary of the Thrift Savings Plan for the Uniformed Services" for complete and accurate information applicable to them. This publication can be obtained from the TSP Web site at www.tsp.gov.

In short, the TSP is a valuable benefit for federal employees. It offers all participants:

- Tax deferral on contributions
- A choice of five investment funds
- A loan program
- In-service withdrawals for financial hardship or after age 59½
- A choice of post-separation withdrawal options
- The ability to transfer money from other eligible retirement savings plans into your TSP account

Importance for Employees Covered by FERS
If you are a FERS employee, your TSP account is one of three parts of your retirement coverage. It is separate from the other two parts, which are your FERS Basic Annuity and Social Security.

As soon as you are eligible, you will receive two types of agency contributions to your TSP account, which together can equal as much as 5% of your basic pay:

1. Agency Automatic (1%) Contributions. When you become eligible, your agency automatically deposits into your TSP account an amount equal to 1% of your basic pay each pay period, even if you do not contribute your own money. After three years of federal civilian service (or two years, in some cases), you are vested in these contributions and their earnings.

2. Agency Matching Contributions. When you become eligible, your agency will match the first 3% of basic pay you contribute each pay period dollar for dollar. Each dollar of the next 2% of basic pay that you contribute will be matched 50 cents on the dollar. You are immediately vested in the matching contributions.

In 2002, you, as a FERS employee, can contribute as much as 12% of your basic pay each pay period, up to the IRS annual limit of $11,000. In 2003, you will be able to contribute up to 13% of your basic pay, and in subsequent years the percentage of basic pay you can contribute will increase by 1% each year. In 2006, the percentage limit will be eliminated entirely, and you will be able to contribute as much as allowed by the Internal Revenue Service. You can contribute either a percentage of your basic pay or a whole dollar amount - even as little as $1 per pay period.

Here's how your Agency Automatic (1%) and Matching Contributions can add up to an additional 5% of your basic pay:

Percent of Basic Pay Contributed to Your Account (FERS Employees Only)			
	Your Agency Puts In:		
You Put In:	**Automatic Contribution**	**Matching Contribution**	**The Total Contribution Is:**
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
6% - 12%	1%	4%	11% - 17%

How the TSP Benefits CSRS Employees
If you are a CSRS employee, you can take advantage of the TSP to provide a source of retirement income in addition to your CSRS annuity. In 2002, you can contribute up to 7% of your basic pay each pay period. This percentage will increase by 1% each year until 2006, when

it will be eliminated. Although you do not receive any agency contributions, you receive the tax benefits and other TSP benefits described below, including the opportunity to invest in all five TSP funds. You are always vested in all of the money in your account.

TSP Benefits that Apply to Both FERS and CSRS Employees

Tax Savings. Your TSP contributions are deducted from your pay before federal, and in most cases, state income taxes are calculated. As long as the money stays in your account, you pay no income tax on any contributions or associated earnings.

Choice of Investment Funds. All participants can invest in any or all of the five TSP funds. You choose the investment mix that is best for you.

Loans. Through the TSP loan program, you may borrow your contributions and related earnings for general purpose loans or for the purchase of a primary residence. Documentation is required for residential loans only. Other restrictions apply to loan amounts and spousal rights.

In-Service Withdrawals. While you are employed by the federal government, you may withdraw your money after age 59½ or for documented financial hardship.

Portable Benefits. If you leave government service and you do not want to leave your funds in the TSP, you can ask the TSP to transfer the vested amount in your account to an IRA or other eligible retirement plan that accepts such transfers. You may also transfer money from other eligible retirement plans into your TSP account.

Signing Up for the TSP

Ask your agency personnel office for the TSP Election Form (TSP-1) or download a copy from the "Forms & Publications" section of the TSP Web site (www.tsp.gov). Use the form to show how much you want to contribute each pay period. If you are a current federal employee, submit Form TSP-1 to your agency personnel office during any TSP open season. If you are a new employee, you may submit Form TSP-1 during the first 60 days after your employment. (Some agencies may be using an electronic version of Form TSP-1. Check with your personnel office.) Your agency will deduct your contributions from your pay each pay period. You can stop your contributions at any time.

When Agency Contributions Begin

New FERS employees must wait a specified period before they can receive agency contributions. Depending on when you were hired as a FERS employee, your eligibility for agency contributions begins as follows:

If you were hired:	**You are eligible for Agency Automatic (1%) and Matching Contributions**
January 1 - June 30, 2001	First full pay period in January 2002

July 1 - December 31, 2001	First full pay period in July 2002
January 1 - June 30, 2002	First full pay period in January 2003*
July 1 - December 31, 2002	First full pay period in July 2003*

*Eligibility dates will change in the future because TSP open season dates, and the associated election periods, will change when the new recordkeeping system is implemented, now planned for November 2002.

If you are a rehired FERS or CSRS employee, or if you have questions about your eligibility, consult your agency personnel office.

Allocating Contributions Among TSP Funds
You can allocate your contributions by using the TSP Web site, the ThriftLine ((504) 255-8777), or Form TSP-50, Investment Allocation. If you are new to the TSP and you have never made a contribution allocation, all contributions to your account will be invested in the G Fund until you make an allocation. You may change your contribution allocation at any time. To redistribute money already in your account, you must make an interfund transfer.

Investment Options Under the TSP
You have a choice of five investment funds under the TSP: the G, F, C, S, and I Funds. Each of these funds is explained below.

The G Fund. The Government Securities Investment Fund is invested in short-term non-marketable U.S. Treasury securities that are specially issued to the TSP. The G Fund interest rate equals the average of market rates of return on U.S. Treasury securities outstanding with 4 or more years to maturity.

There is no credit risk (risk of non-payment of principal or interest) for the Treasury securities in the G Fund. In addition, market risk (risk that investments may fluctuate in value as interest rates change) is eliminated by the Board's current policy of investing the G Fund in short-term rather than longer-term securities. However, G Fund rates of return may well be lower than those of the C and F Funds over the long term.

The F Fund. The Fixed Income Index Investment Fund is invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) bond index. This index consists primarily of high-quality fixed-income securities representing the U.S. Government, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market.

The F Fund offers the opportunity for increased rates of return relative to the G Fund over the long term, especially in periods of generally declining interest rates. At such times, the values of the longer-term bonds held in the F Fund should increase, unlike those of the short-term securities held in the G Fund. Unlike the G Fund, the F Fund carries credit risk and market risk. The F Fund also has the potential for negative returns, which would result in losses.

The TSP Stock Funds. The C, S, and I Funds are stock index funds. These three funds give you the opportunity to diversify your investments among a broad range of stocks. The advantages of

investing in a TSP stock index fund are: (1) the opportunity to earn the relatively high investment returns that are sometimes available from stocks; (2) less effect on overall returns from the poor performance of an individual company or industry; and (3) relatively low investment management fees and trading expenses.

The risk of investing in a stock index fund is that it may experience a sharp decline with unfavorable changes in overall economic conditions. The total return on a stock fund could be negative, resulting in a loss.

The C Fund. The Common Stock Index Investment Fund is a large company stock fund. The C Fund tracks the Standard & Poor's 500 (S&P 500) stock index, which consists of the common stocks of 500 companies that are traded in the U.S. stock markets.

The C Fund gives you the opportunity to diversify your investment by investing in a variety of large companies. The risk of investing in the C Fund is that the value of stocks can decline sharply, and the total return on the C Fund could be negative, resulting in a loss.

The S Fund. The Small Capitalization Stock Index Investment Fund is the TSP's medium and small company stock fund. The S Fund tracks the Wilshire 4500 stock index, which consists of the common stocks of smaller companies not included in the S&P 500 index.

The S Fund gives you the opportunity to diversify your stock investments. The Wilshire 4500 index is the broadest measure of the U.S. stock markets that excludes the companies in the S&P 500 index. Thus, the S Fund in combination with the C Fund covers virtually the entire U.S. stock market.

The risk of investing in the S Fund is that stocks of mid-size and smaller companies tend to be more volatile, and therefore potentially riskier, than stocks of the larger companies in the C Fund's S&P 500 index.

The I Fund. The International Stock Index Investment Fund is the TSP's international stock fund. The I Fund tracks the Europe, Australasia, and Far East (EAFE) stock index, which consists of common stocks of large international companies in 21 countries. The I Fund gives you the opportunity to diversify your stock investments by participating in international stock markets.

The risks of investing in the I Fund are that I Fund investments tend to be more volatile, and therefore riskier, than C or S Fund investments. In addition, international investments carry the risk of foreign currency fluctuations.

If you choose to invest in the F, C, S, or I Fund, you must acknowledge the risks involved. There is no assurance that future rates of return will replicate previous rates of return.

Changing the Way Your Account Is Invested

You can change the investment of money already in your account by requesting an interfund transfer. You can make your request on the TSP Web site (www.tsp.gov), the Thriftline ((504) 255-8777), or on Form TSP-50, Investment Allocation.

Keeping Track of Your Account
The TSP will send you periodic participant statements showing your account activity. Check all of the information on your statement, including your address. Your statement and other important mailings are sent to the address that your agency reports to the TSP record keeper. Contact your agency personnel office if any corrections are necessary. (If you are separated from federal service, contact the TSP Service Office.) You can also find out your account balance by visiting the TSP Web site or by calling the ThriftLine at (504) 255-8777.

Withdrawal Options
While you are still in federal service, withdrawals are limited to age-based withdrawals (for participants who are 59½ or older) and financial hardship withdrawals (for participants who can demonstrate financial hardship).

When you separate from the government, you can leave your money in the TSP, where it will continue to accrue earnings. When you are ready to withdraw your entire account, you can choose a TSP annuity, a single payment, or a series of monthly payments. You can also transfer your TSP account to an eligible retirement plan.

Spouse's Rights
Spouses' rights requirements apply to all loans, in-service withdrawals, and post-employment withdrawals.

Loans and In-Service Withdrawals. If you are a married FERS participant, your spouse must give written consent to your loan or in-service withdrawal request. If you are a married CSRS participant, your spouse will receive a notification of your loan application or withdrawal request.

Post-Separation Withdrawals. Spouses' rights requirements apply to vested accounts of more than $3,500. If you are a married FERS participant, your spouse is entitled to a prescribed joint and survivor annuity. If you select any other withdrawal option, your spouse must first waive his or her right to the prescribed annuity. If you are a married CSRS participant, the TSP must notify your spouse of any withdrawal election.

TSP Changes In November 2002
Effective November 2002, the TSP will have a new record keeping system. With the new system will come some changes and many new features, as outlined in the chart below. Note that while the new system was supposed to be up and running by September 16, 2002, that date was delayed because further testing of the system was required. On August 20, 2002, the Federal Retirement Thrift Investment Board, which oversees the Thrift Savings Plan, announced that the September 16th date would have to be pushed back until November 2002. At the time of press, no firm date had been set for when the new system would be up and running.
Once the new system is operational, it will have the following features:

Changes Under the New TSP System

Now	Under the New System
In General	
The TSP is a monthly valued plan. Transactions are processed once a month.	The TSP will be a daily valued plan. Transactions will be processed each business day.
Account balances and transactions are processed and shown in dollar amounts.	Account balances and transactions will be processed and shown in dollar amounts, shares, and share prices.
Married FERS and uniformed services participants must obtain their spouses' waiver or consent for all withdrawal requests (except the prescribed TSP annuity).	For any withdrawal requiring a spouse's waiver or consent, a FERS or uniformed services participant must have his or her spouse's signature notarized.
TSP open season dates are November 15 – January 31 and May 15 – July 31.	TSP open season dates will be October 15 – December 31 and April 15 – June 30.
The TSP issues participant statements twice a year, for the periods ending April 30 and October 31.	Beginning in January 2003, the TSP will issue quarterly statements for the periods ending March 31, June 30, September 30, and December 31.
Loans and Withdrawals	
If you have a loan, you receive quarterly loan statements.	Loan information will be included on your quarterly participant statements, rather than on separate loan statements.
You must repay a general purpose loan within four years.	You will be able to take up to five years to repay a general purpose loan.
You can reamortize your loan only once.	You can reamortize your loan without limit.
You can repay a TSP loan at any time, but only in full with guaranteed funds. Personal checks are not accepted.	In addition to repaying your TSP loan through regular payroll deductions, you will also be able to repay all or part of it at any time and do so with personal checks.
Only monthly withdrawal payments can be electronically deposited into your checking or savings account.	You will be able to have loan or withdrawal payments deposited electronically into your checking or savings account.
Withdrawals after separation from service must be for your entire TSP account balance.	After you separate, you may also be able to make a one-time partial withdrawal (if you have not made an age-based in-service withdrawal).
You can make a post-employment withdrawal as either a single payment, monthly payments, or a life annuity.	You can use any combination of these same options to make a post-employment full withdrawal.
You can elect to receive monthly payments for a fixed dollar amount or for a fixed number of months, or you can have the TSP compute your payments based on your life expectancy. You cannot change your election.	You will be able to receive monthly payments for a fixed dollar amount or have the TSP compute your payments based on life expectancy. You will be able to make a one-time change from TSP-computed payments to fixed-dollar-amount payments. Once a year, you will be able to change the monthly fixed dollar amount you are receiving.
After you separate from service, you will receive an automatic cashout if your account balance is $3,500 or less, unless you choose another withdrawal option.	After you separate from service, you will receive an automatic cashout if your account balance is less than $200. No other withdrawal options will be available.

Web Site and ThriftLine	
Both the TSP Web site and the ThriftLine provide general Plan information and allow you to find out your (monthly) account balance; make an interfund transfer; allocate future contributions among the five funds; change (or request) a PIN; find out the current loan interest rate; and learn the amount available to you for a loan.	On both the TSP Web site and the ThriftLine, you will also be able to find out your daily account balance and daily share prices.
On the Web site, you can find out your outstanding loan balance and prepayment amount.	You will be able to find your outstanding loan balance and loan prepayment on the ThriftLine as well.
On the Web site, you can download TSP forms and materials. You can also use interactive calculators to project a future account balance; to estimate annuity payments and loan payments; and to find out how much you can contribute per pay period without exceeding the elective deferral limit before the end of the year.	On the Web site, you will also be able to begin (and in some cases, complete) a loan or withdrawal request and reamortize a loan. You will be able either to estimate the number of monthly withdrawal payments you will receive if you choose payments of a specified amount, or to estimate the amount of your payment if you choose to have monthly payments computed based on IRS life expectancy tables. If you are separated from service, you will also be able to update your name and address. On the ThriftLine, you will also be able to request that certain TSP forms and publications be mailed or faxed to you.

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Federal Employees Retirement System

The Federal Employees Retirement System (FERS) became effective in 1987, and almost all new federal civilian employees hired after 1983 are automatically covered by this new retirement system. Many features of FERS are "portable" so that employees who leave federal employment may still qualify for the benefits. FERS is also a flexible system, allowing employees to choose the coverage that best suits them. FERS is a three-tiered retirement plan. The three components are Social Security Benefits, Basic Benefit Plan, and Thrift Savings Plan Benefits.

The first available part of the retirement benefit is Social Security. It provides monthly payments if you are retired and have reached at least age 62, monthly benefits if you become disabled, monthly benefits for your eligible survivors, and a lump sum benefit upon your death.

The basic benefit portion is financed by a very small contribution from the employee and from the Government. Basic Plan Benefits are a monthly payment depending on the employee's pay and length of service. As in most retirement plans, a formula is used to compute the payments under the Basic Benefit Plan. The government averages the highest 3 consecutive years of basic pay. This "high-3" average pay, together with the employee's length of service, are used in the benefit formula. Employees who meet the criteria also receive a "Special Retirement Supplement," which is paid as a monthly benefit until the employee reaches age 62. This supplement approximates the Social Security benefit earned by the employee while they were employed by the federal government.

The third part of the FERS benefit is the Thrift Savings Plan. The Thrift Savings Plan is a tax-deferred retirement savings and investment plan that offers the same type of savings and tax benefits that many private corporations offer their employees under 401(k) plans.

Under FERS, you pay full Social Security taxes and a small contribution to the Basic Benefit Plan. In addition, your agency puts an amount equal to 1% of your basic pay each pay period into your Thrift Savings Plan (TSP) account. You are able to make tax-deferred contributions to the TSP and a portion is matched by the government. The three components of FERS work together to give you a foundation for your retirement years.

Social Security Benefits

The first part of your benefit is Social Security. The term "Social Security" means benefit payments provided to workers and their dependents who qualify as beneficiaries under the Old-Age Survivors, and Disability Insurance (OASDI) programs of the Social Security Act. OASDI replaces a portion of earnings lost as a result of retirement, disability, or death. It is designed to provide benefits that replace a greater percentage of earnings for lower-paid workers than for higher-paid workers. This means that Social Security benefits are more important for higher-paid workers than lower-paid workers.

As an employee with FERS coverage, you have Social Security coverage. You also are covered under Social Security's Medicare Hospital Insurance program. This pays a portion of hospital expenses incurred while you are receiving Social Security disability benefits or retirement benefits at age 65 or older.

Social Security programs provide:

- Monthly benefits if you are retired and have reached at least age 62, and monthly benefits during your retirement for your spouse and dependents if they are eligible;
- Monthly benefits if you become totally disabled for gainful employment and benefits for your spouse and dependents if they are eligible during your disability;
- Monthly benefits for your eligible survivors; and
- A lump sum benefit upon your death.

To become eligible for benefits, you and your family must meet different sets of requirements for each type of benefit. An underlying condition of payment of most benefits is that you have paid Social Security taxes for the required period of time.

The amount of monthly benefits you receive is based on three fundamental factors:

- Average earnings upon which you have paid Social Security taxes, which are adjusted over the years for changes in average earnings of the American work force;
- Family composition (for example, whether you have a spouse or dependent child who may be eligible for benefits); and
- Consumer Price Index (CPI) changes that occur after you become entitled to benefits.

Benefits are subject to individual and family maximums. Once benefits begin, their continuation may depend upon your meeting a variety of conditions. For example, if you have earnings that exceed specified amounts while you are under age 70, your Social Security benefits will be reduced or stopped. There are special Social Security rules that may affect the benefits of federal employees, including FERS participants. If you previously had some service that was covered by the Civil Service Retirement System (CSRS) (or another similar retirement system for federal employees), your Social Security benefits may be affected by the Windfall Elimination Provision. If you transferred to FERS and do not complete 5 years of service under FERS, any spousal benefit you are entitled to under Social Security may be reduced because of the Government Pension Offset. Check with your agency's Human Resource office or your local Social Security office for more details if you think either of these provisions may affect your benefits.

Social Security Taxes

Most of the cost of Social Security is paid for through payroll taxes. Each year you pay a percentage of your salary up to a specified earnings amount called the "maximum taxable wage base." The federal government, as your employer, pays an equal amount. The percentage you each pay for old age, survivor, and disability insurance coverage is 6.20% of your earnings up to the maximum taxable wage base. The maximum taxable wage base increases automatically each year based on the yearly rise in average earnings of the American work force. The Social Security tax covers both the Old Age, Survivors, and Disability Insurance (OASDI) and

Medicare Hospital Insurance programs. The Medicare portion you and your agency each pay is 1.45% of your total pay. All wages are subject to the deduction for Medicare.

Basic Benefit Plan

The second part of the Federal Employees Retirement System (FERS) is the Basic Benefit plan. If you were automatically covered by FERS, or you elected to transfer from the Civil Service Retirement System (CSRS) to FERS, you will participate in the Basic Benefit plan.

Vesting

To be vested (eligible to receive your retirement benefits from the Basic Benefit plan if you leave federal service before retiring), you must have at least 5 years of creditable civilian service. Survivor and disability benefits are available after 18 months of civilian service.

Creditable Service

Creditable service generally includes:

- Federal civilian service for which contributions have been made or deposited.
- Military service, subject to a deposit requirement. To receive credit for military service, generally, you must deposit 3% of your military base pay. Interest begins 2 years after you are hired. With certain exceptions, you cannot receive credit for military service if you are receiving military retired pay. Also, see the note that follows on credit for National Guard service.
- Leaves of absence for performing military service or while receiving workers' compensation.

Unused sick leave is not converted into creditable service for any purpose. (There is a limited exception for CSRS employees who transfer to FERS.) Credit is not allowed for civilian service after 1988 when no contributions were withheld.

Note: Service in the National Guard, except when ordered to active duty in the service of the United States, is generally not creditable. However, you may receive credit for National Guard service, followed by federal civilian reemployment that occurs after August 1, 1990, when of the following conditions are met:

- The service must interrupt civilian service creditable under the Civil Service Retirement System (or FERS) and be followed by reemployment in accordance with the appropriate chapter of the laws concerning Veterans Benefits;
- It must be full-time (and not inactive duty), and performed by a member of the U.S. Army National Guard, or U.S. Air National Guard; and
- It must be under a specified law and you must be entitled to pay from the U.S. (or have waived pay from the U.S.) for the service.

The deposit for National Guard service that meets these criteria is limited to the amount that would have been deducted from your pay for retirement if you had remained in the civilian service.

Contributions
Your contribution to the Basic Benefit Plan is the difference between 7% of your basic pay and Social Security's old age, survivor, and disability insurance tax rate, or 0.80%.

Refunds
You may withdraw your basic benefit contributions if you leave federal employment. However, if you do, you will not be eligible to receive benefits based on service covered by the refund. There is no provision in the law for the redeposit of FERS contributions that have been refunded.

Retirement Options
There are three categories of retirement benefits in the Basic Benefit Plan:
* Immediate and Postponed
* Early
* Deferred

Eligibility is determined by your age and number of years of creditable service. In some cases, you must have reached the Minimum Retirement Age (MRA) to receive retirement benefits. The following chart shows the MRA.

Minimum Retirement Age

If you were born:	Your MRA is:
Before 1948	55
in 1948	55 and 2 months
in 1949	55 and 4 months
in 1950	55 and 6 months
in 1951	55 and 8 months
in 1952	55 and 10 months
in 1953 through 1964	56
in 1965	56 and 2 months
in 1966	56 and 4 months
in 1967	56 and 6 months
in 1968	56 and 8 months
in 1969	56 and 10 months
in 1970 and after	57

Immediate or Postponed Benefits
If you meet one of the following sets of age and service requirements, you are entitled to an immediate retirement benefit:

Age	Years of service
62	5
60	20
MRA	30
MRA	10*

* You will receive a reduced benefit unless receipt of the retirement benefit is delayed to lessen or avoid the age reduction. "Reduced benefit" means if you retire at the minimum retirement age with at least 10 but less than 30 years of service, your benefit will be reduced at the rate of 5/12's of 1% for each month (5% for each year) you are under age 62, unless you have 20 years of service and your annuity begins at age 60 or later. You can avoid part or all of the reduction by postponing the commencing date of your annuity.

Early Retirement

The early retirement benefit is available in certain involuntary separation cases and in cases of voluntary separations during a major reorganization or reduction in force. To be eligible, you must meet the following requirements:

Age	Years of service
50	20
Any age	25

Deferred Retirement

If you leave federal service before you meet the age and service requirements for an immediate retirement benefit, you may be eligible for deferred retirement benefits. To be eligible, you must have completed at least 5 years of creditable civilian service. You may receive benefits when you meet one of the following sets of age and service requirements:

Age	Years of service
62	5
60	20
MRA	30
MRA	10*

* You will receive a reduced benefit unless receipt of the retirement benefit is delayed to lessen or avoid the age reduction. "Reduced benefit" means if you retire at the minimum retirement age with at least 10 but less than 30 years of service, your benefit will be reduced at the rate of 5/12's of 1% for each month (5% for each year) you are under age 62, unless you have 20 years of service and your annuity begins at age 60 or later. You can avoid part or all of the reduction by postponing the commencing date of your annuity.

Benefit Formula

Your benefit is based on your "high-3 average pay." This is figured by averaging your highest basic pay over any 3 consecutive years of creditable service. Generally, your benefit is calculated according to this formula:

1% of your high-3 average pay
times
years of creditable service.

If you retire at age 62 or later with at least 20 years of service, a factor of 1.1% is used rather than 1%. To determine your length of service for computation, add all of your periods of

creditable service, then eliminate from the total any fractional part of a month (less than 30 days).

Depending on the category of retirement benefits you receive, your benefit may be reduced as described in the Retirement Options section above. For example, the total could be reduced if you elect to retire at the minimum retirement age before completing 30 years of service.

Special Retirement Supplement

If you meet certain requirements, you will receive a Special Retirement Supplement that is paid as an annuity until you reach age 62. This supplement approximates the Social Security benefit earned while you were employed by the federal government. You may be eligible for a Special Retirement Supplement if you retire:

- After the Minimum Retirement Age (MRA) with 30 years of service;
- At age 60 with 20 years of service; or
- Upon involuntary or early voluntary retirement (age 50 with 20 years of service, or at any age with 25 years of service) after OPM determines that your agency is undergoing a major reorganization, reduction-in-force (RIF) or transfer of function. You will not receive the Special Retirement Supplement until you reach your MRA.

If you transfer to FERS from the Civil Service Retirement System (CSRS), you must have at least one full calendar year of FERS-covered service to qualify for the supplement.

If you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your Special Retirement Supplement will be reduced or stopped.

Survivor Benefits

The Basic Benefit Plan provides benefits for survivors of federal employees and retirees.

Spouses

If you are married, have 18 months of civilian service, and die while you are an active employee, your surviving spouse receives a lump sum payment plus the higher of ½ of your annual pay rate at death or ½ of your high-three average pay.

If you had 10 years of service, your spouse also receives an annuity equaling 50% of your accrued basic retirement benefit. These benefits are paid in addition to any Social Security, group life insurance, or savings plan survivor benefits.

To be eligible for benefits, you and your spouse must have been married for at least 9 months, or there must be a child born of the marriage, or your death must be accidental.

If you die while you are a retiree, then your annuity is automatically reduced to provide spouse survivor benefits unless those benefits are jointly waived in writing by the retiree and the spouse before retirement.

Your annuity is reduced 10% to give your surviving spouse an annuity of 50% of your unreduced benefit plus a special supplemental annuity payable until age 60, if your spouse will not be

eligible for Social Security survivor benefits until age 60. You and your spouse may choose instead to have your annuity reduced by 5% to give your spouse an annuity of 25% of your unreduced benefit at your death. Separate provisions apply to spouses of disabled annuitants.

Former Spouses
A former spouse may receive survivor benefits as provided in a retiree election or a qualifying court order.

Children
If you have 18 months of civilian service and die while you are an active employee, or if you have retired, your children may be eligible to receive an annuity. This benefit is payable to each unmarried child:

- up to age 18;
- up to age 22 if a full time student;
- at any age if the child became disabled before age 18.

The amount of the FERS benefit depends on the number of children and if the children are orphaned. The total children's benefit is reduced dollar for dollar by any Social Security children's benefits that may be payable.

Disability Benefits
FERS disability benefits can help you replace part of your income if you are unable to work for a prolonged period.

You are considered disabled under FERS if you are unable to perform useful and efficient service in your position because of disease or injury. However, you will not be considered disabled if you decline your agency's offer of a position which accommodates your disability and is at the same grade or pay level and is within your commuting area.

You may also qualify for Social Security disability benefits if you are unable to work in any substantial gainful activity.

Eligibility
To qualify for FERS disability benefits, your disabling condition must be expected to last at least 1 year, and you must have at least 18 months of creditable civilian service.

The Benefits
The first year: 60% of your high-3 average pay minus 100% of any Social Security disability benefits to which you are entitled.

After the first year and until age 62, if your disability prevents you from performing your job and you do not qualify for Social Security disability benefits, your benefit will be 40% of your high-3 average pay.

If you do qualify for Social Security benefits, your FERS disability benefit will be reduced by 60% of the Social Security benefit to which you are entitled. The resulting total you receive from

both FERS and Social Security will be at least 40% of your high-3 plus 40% of your Social Security disability benefits.

If your earned annuity rate (1% x high 3 average salary x years of service) is higher than the above rates after the reduction for Social Security, you will receive the higher benefit.

When you reach age 62, your disability benefit will be recomputed. Essentially, you will receive the annuity you would have received if you had not been disabled, but had continued working until age 62. For purposes of this recomputation, your average salary will be increased by all FERS cost-of-living adjustments that took effect while you were receiving a disability annuity.

If you are a disability retiree under age 60 and your total income from work in a calendar year exceeds 80% of the current pay level of your former job, the disability benefits will be discontinued. You also may be required to provide proof periodically that you have not recovered from your disability.

Cost-of-Living Adjustments (COLA's)
Survivors and disability retirees receive a COLA regardless of their ages; however, disability retirees receiving 60% of their average pay do not receive a COLA during the first year. All other retirees begin to receive COLA's at age 62.

The amount of the annual COLA percentage is based on the increase in the Consumer Price Index (CPI):

Increase in CPI	Annual COLA Percentage
Up to 2%	Same as CPI increase
2% to 3%	2%
3% or more	CPI increase minus 1%

The Special Retirement Supplement for retirees is not increased by COLA's; the supplement for survivors is increased by COLA's.

Form of Payment
FERS Basic Benefits are a monthly annuity that is paid the first business day of the month after it accrues. For example, the payment for December is made on January 2.

Thrift Savings Plan
The third part of your Federal Employees Retirement System (FERS) benefit is the Thrift Savings Plan (TSP). The TSP is a tax-deferred retirement savings and investment plan that offers you the same type of savings and tax benefits that many private corporations offer their employees under 401(k) plans. By participating in the TSP, you have the opportunity to save part of your income for retirement, receive matching agency contributions, and reduce your current taxes.

Your thrift account is the part of your retirement that you control. You decide how much of your pay to put in your thrift account, how to invest it, and, when you retire, you decide how you want your money paid out.

The best way to assure that your retirement income meets your needs is to start investing in the Thrift Savings Plan at the beginning of your federal service, and to continue to do so throughout your career. It is particularly important for higher-paid employees to save enough through the TSP since Social Security replaces less income of higher-paid workers than it does for lower-paid workers. See Chapter 3 on the Thrift Savings Plan for details.

Special Groups: Firefighters, Law Enforcement Officers, and Air Traffic Controllers
These groups of employees receive an unreduced benefit at age 50 with 20 years of service, or at any age with 25 years of service. If you are in one of these employee groups, you contribute an additional 0.5% of pay to the Federal Employees Retirement System (FERS). Your annual annuity is 1.7% of your high-3 average pay times years of service plus 1.0% of your high-3 average pay times years of service exceeding 20.

You also receive a Special Retirement Supplement until age 62 that approximates the Social Security benefit earned in federal service. After you reach the Minimum Retirement Age (MRA), if you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your supplement will be reduced or stopped. In addition, you are entitled to an annual Cost-of-Living Adjustment (COLA), regardless of your age.

Part-Time Employees
In calculating the annuity for employees with part-time service, the average high-3 consecutive years of pay will be based on the full-time pay rate. The benefit based on the full-time rate is reduced according to the part-time schedule.

Enrolling in FERS

New Employees
Most new employees hired after December 31, 1983 are automatically covered by the Federal Employees Retirement System (FERS). The exceptions are employees in appointments that are limited to 1 year or less, most intermittent employees, anyone who is not eligible for Social Security coverage, or certain persons with non-federal service which is creditable under the Civil Service Retirement System (CSRS).

Rehires and Conversions
The general rules on whether you are covered by CSRS, CSRS Offset, or FERS after a break in service or conversion from one type of appointment to another are stated below. Just how those rules apply to you must be determined by your personnel office.

If you leave federal government service and return within 1 year and you were previously covered under CSRS (without Social Security), then you will generally be covered by CSRS upon reemployment. However, you may elect within 6 months of reemployment to transfer to FERS, in which case you will also be covered by Social Security.

If you leave federal government service and return after more than 1 year and you were previously covered under CSRS, then you are automatically covered by Social Security and:

- If you have less than 5 years under CSRS, you are automatically covered by FERS.
- If you have 5 or more years under CSRS, you are covered by CSRS Offset. Your CSRS contributions are reduced by 100% of your Social Security Old-Age, Survivor Disability Insurance (OASDI) fund taxes. Your CSRS benefit will be offset by any Social Security benefit attributable to your federal service.

In determining whether you have 5 years of service that is creditable under CSRS, count all civilian service as of your last separation from service, even though it may not have been covered by CSRS deductions, or you may have received a refund of CSRS deductions. You will receive credit for your CSRS service if you make any payments for your past service that may be required.

Even if you were never covered by CSRS, you are eligible for CSRS Offset Coverage if you had 5 years of creditable civilian service before January 1, 1987.

If you are rehired under CSRS or CSRS Offset, you may elect to transfer to FERS within 6 months of reemployment. If you elect to transfer to FERS, the following rules apply:

- Your credit in CSRS is frozen, but your combined CSRS and FERS annuity will be based on the average of your highest 3 consecutive years of pay;
- You will receive a full Civil Service Retirement System (CSRS) cost of living adjustment on the CSRS portion of your annuity;
- Your service after the date of transfer is treated under the Federal Employees Retirement System (FERS) rules. (If you were under CSRS Offset, your offset service is also treated under rules.) In addition, all of your service is treated under FERS rules if you have less than 5 years of non-Offset CSRS service when you transfer;
- All service (CSRS and FERS) counts toward years needed to be eligible for retirement, disability, survivor, and Thrift Savings Plan benefits under FERS;
- All survivor and disability benefits are paid under FERS rules;
- Unused sick leave is credited under CSRS rules based on the amount accumulated at the date of transfer or date of retirement, whichever is lower;
- You have Social Security coverage when you enroll in FERS;
- You will receive government contributions to your TSP account and avoid the 6-12 month waiting period for participation.

If you are converted from an appointment that is excluded from FERS coverage to an appointment that is not excluded, generally you will automatically be covered by FERS. If you are not automatically covered by the plan, you will have a 6-month opportunity to transfer to it.

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Civil Service Retirement System

The Civil Service Retirement System (CSRS) originated in 1920 and has provided retirement, disability and survivor benefits for most civilian employees in the federal government. Prior to that time, many of the civilian employees in the federal government simply worked until they died because there was no means of support for them if they were to quit their jobs. In fact, one Congressman noted in 1920 that "any observing person who during the last third of a century has walked through the corridors of the departments of the government, or watched the clerks entering the various government buildings in the mornings or leaving them at the close of day, must have noticed the large proportion of elderly and infirm among them."

While the original intent of the system was, in part at least, to provide for a means of replacing elderly and infirm employees, the system has evolved into an employee-oriented system. Since then, the Civil Service Retirement System has been a progressive element in the personnel management system. A strong retirement system is a significant part of the attraction to work for an employer, and has allowed the federal government to attract and retain a professional and dedicated workforce.

Upon enactment in 1920, over 4,000 employees, some in their 80's and 90's, took advantage of the new retirement law. The first to retire was Mr. Edwin B. Simonds, who was 89 years old and had worked in the Pension Office for 37 years. By the end of the year, over 6,000 people had retired. Employees with over 30 years of service received 60 percent of their average salary - averaged over the previous 10 years. The maximum benefit was $720 a year.

Just as the functions of the retirement system have changed, so have its provisions. These changing provisions have enabled the Civil Service Retirement System to remain an important piece of the federal personnel management structure. The system was originally administered by the Department of the Interior until 1930, when it moved to the new Veterans Administration. But in 1934, it found a home with the Civil Service Commission, and in 1979, with the Office of Personnel Management.

Benefits have continued to evolve to the present time. They are now financed by both employee and government contributions to the retirement fund, and provide benefits based on length of service and the average salary over the highest three years of pay. This continuing need to modernize benefits resulted in the creation of a new Federal Employees Retirement System to replace the Civil Service Retirement System in 1987. However, there are still many civilian federal employees covered by the Civil Service Retirement System, and over 2 million people continue receiving Civil Service Retirement System retirement and survivor benefits each month.

When You May Retire
You may retire under the Civil Service Retirement System (CSRS) at the following ages, and receive an immediate annuity, if you have at least the amount of federal service shown:

Type of Retirement	Minimum Age	Minimum Service (Year)	Special Requirements
Optional	62	5	None
	60	20	None
	55	30	None
Special Optional	50	20	**Special Optional** - You must retire under special provisions for air traffic controllers or law enforcement and firefighter personnel. Air traffic controllers can also retire at any age with 25 years of service as an air traffic controller.
Early Optional	Any Age* 50*	25 20	**Early Optional** - Your agency must be undergoing a major reorganization, reduction-in-force, or transfer of function as determined by the Office of Personnel Management.
Discontinued Service	Any Age* 50*	25 20	**Discontinued Service** - Your separation must be involuntary and not a removal for misconduct or delinquency.
Disability	Any Age	5	**Disability** - You must be disabled for useful and efficient service in your current position and any other vacant position at the same grade or pay level within your commuting area and current agency for which you are qualified.**

* Annuity is reduced if under 55.
** Application must be prior to retirement, or within 1 year of separation, except in cases of mental incompetence.

How Annuities Are Computed
Your basic annuity is computed based on your length of service (which includes unused sick leave if you retire on an immediate annuity) and "high-3" average pay. To determine your length of service for computation, add all your periods of creditable service, and the period represented by your unused sick leave, then eliminate from the total any fractional part of a month. Your "high-3" average pay is the highest average basic pay you earned during any 3 consecutive years of service. Generally, your basic annuity cannot be more than 80 percent of your "high-3" average pay, unless the amount over 80 percent is due to crediting your unused sick leave.

Your yearly basic annuity is computed by adding: (a) 1.5 percent of your "high-3" average pay times service up to 5 years; (b) 1.75 percent of your "high-3" pay times years of service over 5 and up to 10; and (c) 2 percent of your "high-3" pay times years of service over 10.
Your basic annuity will be reduced if: (a) you retire before age 55 (unless you retire for disability or under the special provisions for law enforcement officers, air traffic controllers, and

firefighters); (b) you didn't make a deposit for service performed prior to October 1, 1982, during which no deductions were taken from your pay (non-deduction service after that date is not used in the computation of benefits if the deposit is not paid); (c) you didn't make a redeposit of a refund for a period of service that ended before October 1, 1990; or (d) you provide for a survivor annuitant.

Your annuity will be increased periodically by cost-of-living increases that occur after you retire. Your initial cost-of-living increase will be prorated based on how long you have been retired when that cost-of-living increase is granted.

Credit for Military Service
As a general rule, military service in the Armed Forces of the United States is creditable for retirement purposes if it was active service terminated under honorable conditions, and performed prior to your separation from civilian service for retirement. Military service performed on or after January 1, 1957 is normally creditable for Social Security benefits at age 62. Individuals first employed before October 1, 1982 have the option of either (1) making a 7 percent deposit for post-1956 military service, thereby avoiding a reduction in their annuity at age 62, or (2) not making the deposit and having their annuities reduced at age 62 if they are then eligible for Social Security benefits. Employees first hired by the federal government on or after October 1, 1982 must make the deposit or receive no credit at all, including eligibility to retire, for military service.

Disability Retirement
If you retire for disability, you may be guaranteed a minimum annuity equal to the smaller of: (a) 40 percent of your "high-3" average pay, or (b) the regular annuity obtained after increasing your service by the time between your retirement and your 60th birthday. This guaranteed minimum applies if you are under age 60 when you retire and your earned annuity based on your actual service is less than this minimum.

There is an exception, however. The guaranteed minimum does not apply if you are receiving military retired pay and/or VA compensation in lieu of all or part of the military retired pay. However, if your earned annuity plus your military benefit (or compensation) is less than what it would have been under the guaranteed minimum, the annuity is increased to bring it up to that level.

If You Retire Before Age 55
If you voluntarily retire during a major reorganization, reduction-in-force, or transfer of function, or if you are involuntarily separated and are younger than 55, your basic annuity will be reduced by one-sixth of 1 percent for each full month you are under 55.

There is no age reduction if you retire under the disability provision or under the special provisions for air traffic controllers, law enforcement officers, and firefighters.

If You Die in Service
If you die after 18 months of civilian service, your widow(er) will get an annuity, provided you were married for a total of 9 months. The 9-month requirement does not apply if your death is accidental or there is a child of the marriage.

Generally, your widow(er) is entitled to 55 percent of the basic annuity earned by your creditable service and average salary. However, if it will produce a higher annuity, your widow(er) will receive 55 percent of the guaranteed minimum benefit described under "Disability Retirement" above.

If you have a former spouse from whom you were divorced after May 6, 1985, he or she may receive, by court order, all or a part of the annuity that your widow(er) would otherwise get.

Your unmarried children will also be entitled to annuities if you die in service. Their annuities will continue until they reach age 18 - or age 22 if they remain in school full-time. The annuity of a child who is incapable of self support because of a disability incurred before age 18 will continue indefinitely unless the child becomes capable of self support.

Providing for Your Survivors on Retirement
If you are married when you retire, your annuity will be reduced to provide a full survivor annuity for your spouse (unless he or she consents to a lesser benefit). To provide for a survivor annuity, your annuity will be reduced by 2.5 percent of the first $3,600, plus 10 percent of the annuity over $3,600. The survivor annuity will be 55 percent of the amount of your annuity before this reduction. Note: If you were divorced after May 6, 1985, your former spouse may receive by court order, all or part of the survivor annuity that your current spouse would otherwise get. You can also elect a survivor annuity for a former spouse (but if you are married, you must get your spouse's consent).

If you are not retiring for disability, and are in reasonably good health, you can provide a survivor annuity for a person who has an "insurable interest" in you, such as a relative who is in your care, or a current spouse who would not otherwise get a survivor annuity because of a court-ordered award to a former spouse. To provide this benefit, your annuity would be reduced from 10 to 40 percent depending on the difference in your age and the age of the person named. This reduction would be added to any reduction required to provide a survivor annuity for a spouse or former spouse.

If You Leave the Service
If you leave federal employment before you are eligible for an "immediate" annuity, you can either have your deductions returned or leave the money in the retirement fund. If you have completed at least 5 years of civilian service and you leave your money in the fund, you will be entitled to a "deferred" annuity at age 62.

Making Payments for Previous Service
If retirement deductions were not taken from your pay during certain periods of service, you will need to pay these deductions into the retirement fund to receive full credit for the service. If you had a refund of retirement deductions for prior service, you must repay this money into the

retirement fund to receive credit for service in your retirement benefits. Exception: If you retire (other than on disability) while owing a redeposit of a refund for service that ended before October 1, 1990, you will not be required to pay the redeposit in order to receive credit for that refunded service. Instead, full credit for the refunded service will be allowed in computing your annuity, but the annuity will be actuarially reduced.

Alternative Form of Annuity

Some retirees can choose to receive an Alternative Form of Annuity if they are eligible due to a life-threatening illness or other critical medical condition. Under this option, you receive a reduced monthly benefit, plus a lump sum payment equal to all your unrefunded contributions to the retirement fund. The amount of reduction in your monthly benefit depends on your age at the time you retire and the amount of your retirement contributions. Your election of an Alternative Form of Annuity will not affect the potential survivor annuity payable to your spouse or children. However, you must have your spouse's consent to make this election.

You cannot choose the Alternative Form of Annuity if you are retiring under disability rules or if you have a former spouse who is entitled to court-ordered benefits based on your service. In addition, you may not elect the Alternative Form of Annuity unless you have a life-threatening medical condition.

CSRS Offset Employees

You are a "CSRS Offset" employee if you are one of the employees covered by CSRS and Social Security at the same time. You will be eligible to receive a CSRS annuity just as if you were covered by CSRS alone, except that the annuity payment will be reduced when you become eligible for Social Security benefits (usually at age 62). The amount of the reduction will be the amount of the Social Security benefit attributable to your service after 1983 that was covered by both CSRS and Social Security. A survivor annuity based on your service will be reduced for any survivor Social Security benefits in the same manner.

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Federal Long Term Care Insurance Program

On September 19, 2000, the Long Term Care Security Act (P.L. 106-265) was signed into law, mandating the creation of the Federal Long Term Care Insurance Program (FLTCIP), which is available to Federal and Postal employees and annuitants, members and retired members of the uniformed services, and qualified relatives. The FLTCIP permits those in the "Federal family" to purchase long term care insurance at group rates. Coverage through the FLTCIP is voluntary, and premiums are paid fully by the enrollees. There is no government contribution, unlike the Federal Employees Health Benefits Program (FEHBP). Employees do not choose the company through which to purchase their long term care insurance. The insurance is provided through the MetLife and John Hancock partnership, which was awarded the FLTCIP contract by OPM.

The FLTCIP was designed to provide those in the Federal family with an opportunity to purchase group insurance to offset the cost of long term care, should it become necessary. Long-term care is the kind of care that you would need to help you perform daily activities if you had a chronic illness or disability. It also includes the kind of care you would need if you had a severe cognitive problem like Alzheimer's disease. It is help with eating, bathing, dressing, transferring from a bed to a chair, toileting, continence, and so forth. Long-term care can also include assistance with such tasks as shopping, transportation, housecleaning, or preparing meals. This type of care isn't received in a hospital and isn't intended to cure you. It is not acute care. It is chronic care that you might need for the rest of your life. It can be received in your own home, at a nursing home, or in another long term care facility. Long term care insurance is insurance that helps you pay for long term care services, such as home care or care in a nursing home or assisted living facility.

Be aware that long term care insurance covers care that is usually not covered by health insurance. Do not think that if you have health insurance you don't need long term care insurance. This is simply not the case. In addition, depending on your personal situation (age, health, and so forth), you may be able to get better coverage that is also less expensive outside the FLTCIP. As with any major purchase, shop around before you buy a long term care insurance policy. Compare the benefits and costs of the insurance from a number of different sources – both the FLTCIP and private companies - before you buy. If you do decide to purchase long term care insurance from a private company, however, make sure the company is reputable and financially sound.

Below is a brief overview of the FLTCIP. For a more detailed explanation of the program – along with general information about what to consider when purchasing long term care insurance – read the "Long Term Care Planning Handbook," available from www.FederalHandbooks.com.

Open Season
The open season for the FLTCIP will be held from July 1 to December 31, 2002, with staggered 60-day enrollments within that time period. OPM has not scheduled any additional open seasons at this time.

To apply for coverage under the FLTCIP during open season, you will have to undergo underwriting (meaning you will be asked health-related questions). Employees and members of the uniformed services and their spouses will be subject to abbreviated underwriting. All other eligible groups will be subject to full (long form) underwriting. Anyone eligible to use the abbreviated underwriting application will have to answer additional questions if they want to apply for the unlimited benefit period during open season. The abbreviated underwriting questions plus the additional questions for the unlimited benefit period are still fewer questions than full underwriting, but more than the abbreviated underwriting questions for the 3-year or 5-year benefit period.

During the open season, you will have three options for paying your premiums for the FLTCIP. You will be able to choose from payroll or annuity deduction, automatic debit from your checking or savings account, or direct billing from LTC Partners. In addition, during open season, your premiums will be calculated based on your age on July 1, 2002. If you apply during the open season and your application is approved, your coverage will be effective on the later of October 1, 2002, or the 1st of the month after your application is approved. Open season applications are available by calling 1-800-LTC-FEDS (1-800-582-3337) or TDD 1-800-843-3557.

Benefits

Enrollees in the FLTCIP will be eligible for benefits after meeting the following conditions. Benefits are payable after these conditions are met and any required waiting period is satisfied. You will be eligible for benefits when:

1. A licensed health care practitioner certifies that (a) you are unable to perform 2 of 6 activities of daily living (ADLs) and your condition is expected to last at least 90 days, or (b) you need substantial supervision due to a severe cognitive impairment.
2. Long Term Care Partners agrees with the certification;
3. A licensed health care professional develops a plan of care for you and LTC Partners approves that plan of care.

Activities of Daily Living (ADL) are common activities that people perform every day, specifically:

- bathing: washing your hair, washing yourself by sponge bath, or in either a tub or shower, including the task of getting into or out of the tub or shower;
- dressing: putting on and taking off all items of clothing and any necessary braces, fasteners, or artificial limbs;
- transferring: moving into or out of a bed, chair, or wheelchair;
- toileting: getting to and from the toilet, getting on and off the toilet, and performing associated personal hygiene;
- continence: maintaining control of bowel and bladder function, or, when unable to maintain control of bowel or bladder function, performing associated personal hygiene (including caring for catheter or colostomy bag); and/or
- eating: feeding yourself by getting food into the body from a receptacle (such as a plate, cup, or table) or by a feeding tube or intravenously.

Severe Cognitive Impairment is an impairment or loss in:

- Short or long term memory; or
- Orientation as to person, place and time; or
- Deductive or abstract reasoning.

Such an impairment or loss places you in jeopardy of harming yourself or others, and therefore means that you are in need of substantial supervision by another person. The most common form of cognitive impairment is advanced Alzheimer's disease.

The FLTCIP offers a benefits package that pays benefits toward a variety of services, including but not limited to:

- nursing home care
- assisted living facilities
- home care (both formal and informal)
- adult day care
- hospice care
- respite care when your primary caregiver needs a rest (limited to 30 days times your Daily Benefit Amount per calendar year)
- bed reservations (payments to a nursing home or assisted living facility to hold a bed if you are a resident of that facility and need to be temporarily hospitalized or out of the facility on therapeutic leave - limited to 30 days times your Daily Benefit Amount per calendar year).

The FLTCIP provides reimbursement for the following covered services, as long as they are part of a written plan of care approved by LTC Partners, up to the percentage of your daily benefit amount listed next to the covered service:

Covered Services	Reimbursement Up To:
Nursing home, hospice facility, or assisted living facility	100% of your daily benefit amount
Hospice care at home	100% of your daily benefit amount
Home care provided by a formal caregiver	75% of your daily benefit amount
Adult day care center	75% of your daily benefit amount
Informal caregiver services**	75% of your daily benefit amount
Caregiver training**	100% of your daily benefit amount
Respite services**	100% of your daily benefit amount
Bed reservations**	100% of your daily benefit amount

**Specific lifetime or calendar year limitations apply to certain benefits as follows:

- Informal caregiver services provided by family members - benefits are limited to 365 days in your lifetime. (Note: Family members who provide the care may not live in your home at the time you become eligible for benefits.)
- Caregiver training - benefits are limited to 7 days multiplied by your daily benefit amount in your lifetime.
- Respite services - benefits are limited to 30 days multiplied by your daily benefit amount per calendar year.
- Bed reservations - benefits are limited to 30 days per calendar year.

You can customize your long term care insurance in several areas:

- Facilities-Only or Comprehensive Coverage
- Daily Benefit Amount (from $50 to $300 in $25 increments)
- Weekly Benefits (available with the comprehensive coverage only)
- Benefit Period (3-year, 5-year, or unlimited)
- Waiting Period (30 days or 90 days)
- Inflation Protection (automatic compound or future purchase)

Alternatively, you can choose from several pre-packaged plans. If you choose a pre-packaged plan, you will only have to choose your inflation protection method. See the LTC Web site for more details by clicking on www.ltcfeds.com.

Note that the facilities-only plan and the comprehensive plan, as referenced above, differ in the kinds of care they cover. The facilities-only plan covers care in assisted living facilities, nursing homes and inpatient hospice care. The comprehensive plan covers care at home, in adult day care centers, in assisted living facilities, in nursing homes and hospice care (inpatient or at home).

Be aware that under the FLTCIP, Federal employees, members of the uniformed services, and their spouses will be offered "non-standard" insurance (or an "alternative insurance plan") if they cannot pass the underwriting requirements for the regular long term care insurance. This "non-standard" insurance is insurance that offers benefits that are more limited than the regular insurance offered under the FLTCIP. The non-standard/alternative insurance will also have higher premiums. Annuitants and others who use the full underwriting application are not eligible for the non-standard/alternative insurance plan. Again, see the LTC Web site for more details.

Remember that you do not have to choose one of the pre-packaged plans. You may customize your long term care insurance plan to best suit your own needs and budget, as explained above. Some of the terms with which you need to be familiar are described below.

Daily Benefit Amount

The Daily Benefit Amount (DBA) is the maximum amount the plan will pay in any single day. Under the FLTCIP, if the cost of the care you receive in a single day costs less than your DBA, then the difference is carried over for you to use later.

You choose your daily benefit amount. You can choose a DBA from $50 to $300 in $25 increments. The cost of care in an assisted living facility or a nursing home or hospice care (whether in a facility or at home) will be reimbursed up to 100% of your DBA. Home care and adult day care will be reimbursed up to 75% of your DBA.

Weekly Benefits

Under the FLTCIP, you can choose whether you want your benefits reimbursed on a daily basis or on a weekly basis (equal to 7 times your DBA) for greater flexibility. Weekly benefits are available with the comprehensive coverage only. For example, if you elect a $100 daily benefit amount and choose to have your benefits reimbursed on a weekly basis, that would mean you

have a weekly benefit amount of $700. Your reimbursement would not be limited to only $100 per day. Weekly benefits cost more than daily benefits.

Benefit Period

The Benefit Period is the length of time your Maximum Lifetime Benefit will last if you receive care every single day at a cost equal to or more than your Daily Benefit Amount (DBA). If you receive services that cost less than your DBA, or don't receive services every day, your benefits will last longer. You choose your benefit period. You can choose among a 3-year, a 5-year, or an unlimited benefit period. The Benefit Period is used as a multiplier, along with your DBA, to calculate your Maximum Lifetime Benefit.

Maximum Lifetime Benefit

The Maximum Lifetime Benefit is the maximum your plan will pay. Here is how it is calculated:

Daily Benefit Amount (DBA) x Benefit Period (in days) =
Maximum Lifetime Benefit

For example, if you choose a $100 DBA and a 3-year Benefit Period, your Maximum Lifetime Benefit would be $109,500 ($100 x 1095 days (which is 3 years at 365 days/year)).

If you receive services that cost less than your DBA, or you don't receive services every day, your benefits will last longer than your benefit period. This amount of money is available for reimbursement of approved long term care costs for as long as you're eligible for benefits, after you meet the waiting period you selected. The maximum lifetime benefit is also commonly referred to as a "pool of money." An unlimited benefit period has no maximum lifetime benefit - it is unlimited.

Waiting Period

The Waiting Period is the number of days during which you must be eligible for benefits and receiving covered services before your benefits start. It works like a health insurance deductible. Under the FLTCIP, you only have to satisfy the waiting period once in your lifetime. Days applied toward satisfying the waiting period need not be consecutive or associated with the same episode of care. The days will be added together until the waiting period is satisfied. When you apply for coverage, you select the length of your waiting period - the standard is 90 days under the FLTCIP, but you may choose 30 days instead, at an additional cost.

The FLTCIP does not pay benefits during your waiting period. However, the waiting period does not apply to hospice care, respite care, and caregiver training. Because there is no waiting period for hospice care, respite care, and caregiver training, these covered services do not count toward meeting your waiting period.

Inflation Protection

To help your coverage keep pace with inflation, the FLTCIP lets you choose between the following two inflation protection options:

Automatic Compound Inflation Option

With this option, your Daily Benefit Amount (DBA) and the remaining portion of your maximum lifetime benefit will automatically increase by 5% every year with no corresponding increase in your premium. The benefit increases continue even if you are eligible for benefits. While the initial premium is higher with this option, you won't have to think about the cost of having to buy additional coverage or worry about whether your coverage (especially after you retire) will keep pace with inflation. Your benefits increase year after year, while your premium remains level.

Future Purchase Option

This allows you to buy additional coverage every two years at an extra cost. The increase offered in your Daily Benefit Amount and the remaining portion of your maximum lifetime benefit is based on increases in the Medical Consumer Price Index. With the Future Purchase Option, you can assess the costs of care in the future and make a decision to upgrade when you can afford to. Each time you buy additional coverage, your premium will increase. The premium for the additional coverage will be based on your age and premium rate at the time the increase takes effect. Every two years you will receive your Future Purchase Option notification, provided you are not eligible for benefits and have not declined three Future Purchase notifications in the past. One feature of the FLTCIP is your ability to switch to the Automatic Compound Inflation Option without proof of good health when you receive your Future Purchase notification, as long as you are not eligible for benefits and have not declined three Future Purchase notifications in the past.

Care Coordination

LTC Partners' care coordinators are available under the FLTCIP to:

- provide general information about long term care services;
- assess and approve your need for long term care services;
- develop a plan for your receipt of long term care services; and then
- monitor and reassess those services.

The care coordinators can tell you about any providers in your area who offer discounts for the services you need and provide other assistance such as locating community resources you may be eligible for. The care coordinators are registered nurses. Care coordination services are also available to your qualified relatives even if they aren't enrolled in the program, as long as you are enrolled in the FLTCIP. (Certain services for qualified relatives may be provided at an additional charge.)

Availability of the "Maximum Lifetime Benefit"

If you are eligible to receive benefits and have met your waiting period, the maximum lifetime benefit (or "pool of money") is available to you. It does not matter how long you have paid premiums. You do not have to pay premiums for a minimum length of time or wait for it to "build up" like you would if you were saving your own money to cover the costs of long term care.

Under the FLTCIP, if you claim benefits, but don't use all of your maximum lifetime benefit, you or your survivors do not receive the remaining money. The maximum lifetime benefit is not "yours" per se. It's a pool of financial resources that you have access to. You and your survivors

do not have any right to the unspent dollars. The funds are available to you if benefits are payable. The possibility of unspent monies is taken into account to keep premiums as low as possible.

Similarly, under the FLTCIP, if you never use the long term care insurance, you do not get your premiums back. The long term care insurance product is analogous to homeowner's insurance. If your house never burns in a fire, you do not get your premiums back. Your premiums paid for the protection you had while you owned the house.

Disputing A Claim

If you disagree with the insurance company's decision on your claim for benefits, you may ask for an independent third party review of the company's decision. When you enroll in the FLTCIP, you will receive more information on how to dispute a claim.

Disability and Long Term Care Benefits

Bear in mind that the long term care insurance program and the Federal disability retirement program are totally separate. Once you purchase a LTC policy, it's yours for life as long as you pay the premiums. Any future eligibility for disability retirement or compensation benefits will not affect the terms of your policy, including qualifying you for benefits. You must establish your eligibility for long term care benefits separately.

Benefits Available For Services Outside the U.S.

The FLTCIP provides benefits for covered services you receive outside the United States, its territories, and possessions. When you receive covered services internationally, the FLTCIP will pay benefits for such services up to 80% of the maximum amounts that would otherwise be payable. Only 80% of your maximum lifetime benefit can be used for covered services you receive internationally; the other 20% would be available only for covered services you receive in the U.S., its territories, and possessions.

Eligibility

As specified in the law, individuals eligible to apply for coverage under the FLTCIP are:

- **Employees** - Federal employees and members of the uniformed services. This includes employees of the U.S. Postal Service and Tennessee Valley Authority, but does not include employees of the District of Columbia Government. For Federal and Postal employees, the general rule is that if you are in a position eligible for FEHB coverage, then you are eligible for the FLTCIP. Remember – the key is whether you are eligible for the FEHBP. You do not actually have to be enrolled in the FEHBP to be eligible for the FLTCIP.
- **Annuitants** - Federal annuitants, surviving spouses of deceased Federal or Postal employees or annuitants who are receiving a Federal survivor annuity, individuals receiving compensation from the Department of Labor who are separated from the Federal service, members or former members of the uniformed services entitled to retired or retainer pay, and retired military reservists at the time they qualify for an annuity (also known as grey reservists). Retired employees of the D.C. Government are not included.
- **Current spouses** of employees and annuitants (including surviving spouses of members and retired members of the uniformed services who are receiving a survivor annuity).

- **Adult children** (at least 18 years old, including adopted children and stepchildren) of living employees and annuitants.
- **Parents, parents-in-law, and stepparents** of living employees (but not of annuitants).

Uniformed Services

Within the Uniformed Services, the following groups are eligible for the FLTCIP:

- Members on active duty or full-time National Guard duty for more than 30 days;
- Members of the Selected Reserve; and
- Members on retirement or retainer pay.

Annuitants and Compensationers

If you are retired from the military but are also a retired Federal employee receiving a Federal annuity, it does not matter whether you apply as one or the other. All annuitants - whether uniformed services, Federal or Postal - will need to answer the same questions about their health.

If you are retired from the Federal government but are also a Federal employee, you are eligible to apply as an annuitant or as an employee. It is more advantageous for you to apply as an employee because you will be asked fewer questions about your health. And since you are a Federal employee, your parents, parents-in-law, and stepparents are also eligible to apply. They can apply whether or not you decide to apply, or whether you apply as an employee or annuitant.

Federal deferred annuitants are eligible to apply for the FLTCIP when they satisfy all requirements (age and service) for title to their annuity, and have filed the application for that annuity. They are not eligible to apply during the time period after they separate from service and before they begin receiving their annuity.

Disability annuitants are also eligible to apply for the insurance. However, like all annuitants, they must pass full underwriting. In addition, compensationers - Federal employees or former employees who are receiving monthly compensation and whom the Secretary of Labor determines are unable to return to duty - are eligible to apply for the FLTCIP.

Qualified Relatives

There are three categories of qualified relatives under the law governing the FLTCIP:

- Current spouses of living employees and annuitants (surviving spouses of deceased members and retired members of the uniformed services who are receiving a survivor annuity are also eligible as "spouses");
- Adult children (at least 18 years old, including natural children, adopted children and stepchildren) of living employees and annuitants; and
- Parents, parents-in-law, and stepparents of living employees (but not of annuitants).

Continuing the Insurance After Leaving a Qualified Group

If you have already enrolled in the FLTCIP and your insurance coverage is effective, your insurance coverage continues even if you leave your eligible group (e.g., you move from the Selected Reserve to the Individual Ready Reserve, or you resign from the Federal Government, or you divorce your Federal spouse). Your insurance coverage is fully portable. As long as you continue paying premiums, your insurance coverage will continue. If you were paying premiums

by payroll deduction and you leave the government, you'll have to make arrangements with LTC Partners to start paying premiums directly or by automatic debit from your checking account. But you get to keep the insurance at the same premiums as if you never left the eligible group.

Qualified relatives are eligible to apply for the FLTCIP while you are a Federal or Postal employee or annuitant, or member or retired member of the uniformed services. However, if you are no longer in an eligible group, the eligibility of your qualified relatives changes as well. The rule is that they are qualified relatives as long as you are in one of the groups eligible to apply for this insurance. And if they enroll while you are eligible (whether you enroll or not), they will keep the coverage even if you leave an eligible group. However, if they do not apply for the insurance while you are in an eligible group, and you subsequently leave an eligible group, then they can no longer apply for the insurance.

Enrollment

Applying After Open Season

Anyone in any of the eligible groups can still apply for the FLTCIP after open season ends by submitting a full underwriting application. Federal employees, members of the uniformed services and their spouses cannot use the abbreviated application outside of an open season, except as provided below.

Newly hired employees or those who are newly eligible for coverage can apply even if open season has ended. New or newly eligible Federal employees, members of the uniformed services and their spouses will be able to apply for the program using the abbreviated application within 60 days of becoming eligible. After that time, they can still apply, but will have to use the full underwriting application.

Additionally, a Federal employee or member of the uniformed services who gets married after open season can have his or her new spouse apply using the abbreviated application form as long as the new spouse applies within 60 days of the marriage. After that time, he or she can still apply, but will have to use the full underwriting application.

Be aware that you can request a decrease in your coverage at any time. You can decrease your coverage to anything that is available under the FLTCIP, and your premiums (which will be based on your original age) will also decrease. For example, if you have the 5-year benefit period, you can decrease to a 3-year benefit period. But you could not decrease to a 2-year benefit period, because a 2-year benefit period is not available under the FLTCIP. You do not have to undergo new underwriting in order to decrease your coverage.

If you decrease your coverage, you cannot ever get "paid-up benefits," even though you may have paid for higher benefits for a long period of time. The FLTCIP does not offer paid-up benefits. At the time you paid for your higher benefits, you were insured for those higher benefits and received that protection for all the years you held the old policy. Even though you didn't use them doesn't mean they didn't have a cost from an insurance point of view. But your premiums will decrease when your benefits decrease.

Cost

Premium Costs
As far as the cost of premiums for the FLTCIP is concerned, the premiums are posted on the LTC Partners Web site at http://www.ltcfeds.com under "Premium Calculator." You can use one calculator to see the cost of the pre-packaged plans or another calculator to customize a plan.

Waiving Premiums
Under the FLTCIP, you will not have to pay premiums if you are eligible for benefits and have satisfied your waiting period. Premiums are also waived if you are eligible for benefits and receiving hospice care, even though no waiting period applies to hospice care. If you satisfy the requirements for waiver of premium on the first day of a month, the waiver will take effect on that date. Otherwise, the waiver will take effect on the first day of the following month. If, at a later date, you are no longer eligible for benefits (e.g., you recover) and you wish to maintain your coverage, you will have to resume paying premiums.

Withholding Premiums
Beginning October 1, 2002, at an employee's or annuitant's request, an agency can withhold premiums from his or her salary or annuity. Employees and annuitants can also pay for their qualified relatives' insurance premiums out of their salaries or annuities beginning on October 1, 2002. However, both parties must agree to this arrangement - the employee or annuitant and the relative who was approved for the insurance coverage. In order to pay for the insurance premiums from your Federal salary or annuity for qualified relatives, you, the Federal employee or annuitant, do not have to be enrolled in the FLTCIP yourself. If your Federal salary or annuity isn't big enough to pay for the premiums, you pay the insurance premiums by either authorizing a debit from your bank account or paying the insurance company directly.

If a parent or spouse of a Federal employee enrolls in the program, the parent or spouse can pay premiums either by authorizing a debit from his or her bank account or by paying the insurance company directly. Alternatively, the Federal employee to whom the parent or spouse is related may be willing to pay the premiums out of his or her salary. This last option begins October 1, 2002.

Note that the Federal government does not pay any part of the cost of long term care insurance. By law there is no government contribution. Participants in the FLTCIP will be responsible for 100% of the premium costs.

7

Federal Student Loan Repayment Program

The Federal student loan repayment program permits agencies to repay federally insured student loans as a recruitment or retention incentive for candidates or current employees of the agency. The program authorizes agencies to set up their own student loan repayment programs to attract or retain highly qualified employees.

Be aware that employees are not entitled to a student loan repayment. Agencies have discretionary authority to repay certain types of federally insured student loans as a recruitment or retention incentive for highly qualified candidates or current employees.

Applying

Current Federal employees or potential candidates may contact their current or potential employing agency for further information on how to apply for the student loan repayment program. Each participating agency must develop a plan that describes how it will implement the program.

Maximum Amount

For any one individual, an agency may agree to provide student loan repayment benefits of up to $6,000 per calendar year, subject to a cumulative maximum of $40,000 per employee. The employing agency makes student loan payments directly to the loan holder. Student loan payments are not paid to employees.

Previous Repayment by the Employee

An agency may not make a loan repayment for a student loan that was previously repaid by the employee. Student loan repayments may be paid only for outstanding student loans.

Future Student Loans

An agency may not agree to repay any future student loans accrued by an employee. An agency may agree only to make payments on those student loans taken out prior to the student loan repayment agreement.

In Addition to Existing Bonuses and Incentives

Agencies do have the authority to offer student loan repayment benefits in conjunction with recruitment and relocation bonuses and retention allowances. Agencies may also use student loan repayment benefits in conjunction with a physicians' comparability allowance (PCA). However, regulations require that the amount of the PCA be reduced by the amount of the student loan repayment.

Recruiting from Other Federal Agencies

The intent of the federal student loan repayment program is to help agencies recruit individuals for Federal service, not for agencies to compete with one another for employees. Thus, agencies should not use this authority to recruit current Federal employees from other agencies.

Retaining Employees Leaving for Another Federal Agency

Similarly, agencies may not offer to repay a student loan for an employee who is likely to leave for any position in any branch of the Federal Government.

Employee Eligibility

Any employee (as defined in 5 U.S.C. 2105) who is highly qualified is eligible to receive a student loan repayment, except those employees who currently occupy or will occupy a position excepted from the competitive service because of its confidential, policy-determining, policy-making, or policy-advocating character (i.e., employees serving under Schedule C appointments). Under 5 CFR 537.104, agencies may offer loan repayment benefits to -

- Temporary employees who are serving on appointments leading to conversion to term or permanent appointments;
- Term employees with at least 3 years left on their appointment;
- Permanent employees (including part-time employees); and
- Employees serving on excepted appointments with conversion to term, career, or career conditional appointments (including, but not limited to, Career Intern or Presidential Management Intern appointments).

Eligibility of Non-GS Employees

Employees not covered by the General Schedule (GS) pay system are also eligible for student loan repayment benefits. The Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (Public Law 106-398) amended 5 U.S.C. 5379 to remove the limitation that only employees covered by the GS pay system were eligible for student loan repayment benefits. All "highly qualified" personnel, regardless of job series, including Senior Executive Service members, Federal Wage System employees, and employees covered by administratively determined pay systems, are eligible unless specifically excluded by law or regulation.

PLUS Loan Obligations for a Child

The statute authorizing the student loan repayment program states that this incentive is to be used for employees of a given agency who have outstanding student loans. Therefore, if the employee has a PLUS loan for his or her child, the employee would be eligible. However, if a PLUS loan is held by an employee's parent, the employee is not eligible for loan repayment benefits for the parent's PLUS loan.

Eligibility of Employees in Default

The student loan repayment authority itself does not preclude payments for employees who have defaulted on their student loans. However, agencies may exclude them by so specifying in their agency plans.

Types of Academic Degrees and/or Levels Covered

The types of academic degrees and/or levels covered by the program are not specified in law. Agencies are encouraged to tailor their plans to recruit highly qualified candidates and/or retain highly qualified employees in their current positions. Therefore, an agency may specify the types of degrees and levels necessary to attain this goal.

In addition, the law does not require that a candidate or employee earn a degree, diploma, or certificate to be eligible for a student loan repayment benefit. However, an agency may require a degree, diploma, or certificate as part of its individual agency plan.

Loan Eligibility

A student loan is eligible for payment under this authority if it is made, insured, or guaranteed under parts B, D, or E of title IV of the Higher Education Act of 1965 or is a health education assistance loan made or insured under part A of title VII or part E of title VIII of the Public Health Service Act. Examples of the loans that qualify under the student loan repayment program are as follows.

Loans made or insured under the Higher Education Act of 1965 include the following:
Federal Family Education Loans (FFEL)

- Subsidized Federal Stafford Loans
- Unsubsidized Federal Stafford Loans
- Federal PLUS Loans
- Federal Consolidation Loans

William D. Ford Direct Loan Program (Direct Loans)

- Direct Subsidized Stafford Loans
- Direct Unsubsidized Stafford Loans
- Direct PLUS Loans
- Direct Subsidized Consolidation Loans
- Direct Unsubsidized Consolidation Loans

Federal Perkins Loan Program

- National Defense Student Loans (made before July 1, 1972)
- National Direct Student Loans (made between July 1, 1972 and July 1, 1987)
- Perkins Loans (made after July 1, 1987)

Loans made or insured under the Public Health Service Act include the following:

- Loans for Disadvantaged Students (LDS)
- Primary Care Loans (PCL)
- Nursing Student Loans (NSL)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)

You should also be aware that loans that were purchased or sold by the original holder are eligible for payment, assuming the other conditions of the regulations are met.

Agency Plans

Under 5 CFR 537.103, each agency must establish a plan that designates the officials who are authorized to review and approve offers of student loan repayment benefits. Agencies should use approval delegations similar to those used for other recruitment and retention incentives.

An agency may tailor its student loan repayment plan to include candidates with specific skills or in a certain job occupation. Again, agencies may adapt their student loan repayment plan as they see fit in order to facilitate the recruitment and retention of highly qualified personnel.

Lump Sum Payments

Note that agencies are not required to make loan payments in one lump sum. In fact, making a loan payment in one lump sum to the loan holder on behalf of the employee accelerates the employee's tax liability and may increase the resulting tax burden.

Late Fees

Agencies are not responsible for any late fees assessed by the loan holder if the agency student loan payment is not received on time. Agencies should state this in their agency plans and/or in the service agreements with employees. Agencies should, to the extent possible, ensure that the timing of their payment to the loan holder coincides with the date the loan payment is due.

Aggregate Limitation on Pay

Student loan payments are not subject to the aggregate limitation on pay under 5 U.S.C. 5307. The aggregate limitation on pay applies to direct payments made to the employee, whereas student loan payments are paid to the loan holder on behalf of the employee.

Repayment Benefits Subject to Employment Taxes

Although a student loan payment is paid directly to the loan holder on behalf of the employee, the payment is nonetheless includible in the employee's gross income and wages for Federal employment tax purposes. Consequently, the agency must withhold and pay employment taxes from either the employee's regular wages, the loan payment, or a separate payment made by the employee. The applicable employment taxes include Federal income taxes withheld from wages (and, where appropriate, State and local income taxes) and the employee's share of social security and Medicare taxes. Tax withholdings must be deducted or applied at the time any loan payment is made. The agency may choose among several different methods for withholding taxes.

Be sure to note the implications of deducting taxes directly from a gross loan payment. For example, if the agency has approved a student loan repayment benefit of $6,000 and the employee's tax deductions are $2,000, then the agency will make a loan payment of $4,000. The full $6,000 counts toward the maximum limitations noted above (up to $6,000 per calendar year, subject to a cumulative maximum of $40,000 per employee).

Agencies have several options available for easing the tax liability on a recipient of the student loan repayment benefits. Talk to those handling your agency's student loan repayment program to discuss these. Agencies are responsible for reporting their student loan payments to the Internal Revenue Service. They must report to the IRS the amount of student loan benefits they have provided to an employee.

Service Agreements

An employee receiving this benefit must sign a service agreement to remain in the service of the paying agency for a specified period. The minimum period of service an agency may require an

employee to fulfill in order to receive student loan repayment benefits is 3 years. Agencies may also choose to require service agreements of more than 3 years.

Agencies should specify the beginning date of the service requirement in the candidate or employee's service agreement. The service requirement begins at the time specified in the service agreement, but may begin no earlier than the time the service agreement is signed. For example, an agency could make the student loan repayment benefits contingent on an employee's completion of a basic training program. In this example, the employee enters Federal service and completes a 90-day training course. The service agreement may state that, if the employee successfully completes the course, the service requirement begins at that time.

Service requirements may not be prorated according to the dollar amount of the student loan repayment benefit offered. The minimum service requirement is established in statute and may not be prorated. In addition, an employee must reimburse the paying agency for all benefits received if he or she is separated voluntarily or involuntarily for cause or poor performance. In addition, an employee must maintain an acceptable level of performance in order to continue to receive repayment benefits.

Employee Reimbursement If Leaving Agency

Occasionally, an employee may leave the paying agency for another Federal agency before completion of the service requirement. Under these circumstances, the employee is not required by law to reimburse the paying agency unless specified in the service agreement. However, the gaining agency is not obligated to make any loan payments previously agreed to by another agency.

Employee Reimbursement If Leaving Federal Service

If an employee voluntarily separates from Federal service and does not complete the terms of the service agreement, he or she is obligated to reimburse the paying agency for the full amount of the loan repayment benefits provided (gross before any tax deductions from the loan payment). For example, if an employee's agreement states that he or she will receive $6,000 per year for 3 years, and the employee leaves with 6 months remaining on the service agreement after receiving $15,000 in loan repayment benefits, the employee must reimburse the paying agency for $15,000.

The same rule applies even if an employee fails to complete the service requirement because of disability retirement or leaves Federal service because of a disabling condition – he or she is required to reimburse the government for all loan payments received. However, agencies may waive recovery if they determine it to be against equity and good conscience or contrary to the public interest. Agencies are responsible for making their own determination regarding what "against equity and good conscience" means. But in doing so, agencies should take into account consistency, fairness, and the cost to taxpayers of recovering monies owed to the government.

8

Leave

Federal employees have available to them several different types of leave, including annual leave, sick leave, military leave, and court leave, to name a few. This chapter will discuss the various types of leave that federal employees may take, as well as programs such as leave transfer, designed to assist employees who have exhausted their leave. Lastly, it will identify the federal holidays for 2002 and 2003. For more detailed information, read Federal Handbooks' Federal Leave Handbook, available from www.federalhandbooks.com.

Annual Leave

An employee may use annual leave for vacations, rest and relaxation, and personal business or emergencies. An employee has a right to take annual leave, subject to the right of the supervisor to schedule the time at which annual leave may be taken. An employee will receive a lump-sum payment for accumulated and accrued annual leave when he or she separates from federal service or enters on active duty in the armed forces and elects to receive a lump-sum payment.

Accrual Rates

Employee Type	Less than 3 years of service	3 years but less than 15 years of service	15 or more years of service
Full-time employees	½ day (4 hours) for each pay period	3/4 day (6 hours) for each pay period, except 1¼ day (10 hours) in last pay period	1 day (8 hours) for each pay period
Part-time employees*	1 hour of annual leave for each 20 hours in a pay status	1 hour of annual leave for each 13 hours in a pay status	1 hour of annual leave for each 10 hours in a pay status
Uncommon tours of duty*	(4 hours) times (average # of hours per biweekly pay period) divided by 80 = biweekly accrual rate.**	(6 hours) times (average # of hours per biweekly pay period) divided by 80 = biweekly accrual rate.**	(8 hours) times (average # of hours per biweekly pay period) divided by 80 = biweekly accrual rate. **

* Leave is prorated for part-time employees and employees on uncommon tours of duty.
** In computing leave accrual for uncommon tours of duty, the accrual rate for the last full pay period in a calendar year must be adjusted to ensure the correct amount of leave is accrued.

Advance Annual Leave
Supervisors may grant advance annual leave consistent with agency policy. The amount of annual leave that may be advanced is limited to the amount of annual leave an employee would accrue in the remainder of the leave year. Employees do not have an entitlement to advance annual leave. In most cases, when an employee who is indebted for advance annual leave separates from federal service, he or she is required to refund the amount of advance leave for which he or she is indebted.

Annual Leave Ceilings

Maximum Annual Leave That May be Carried Over into the New Leave Year	
Federal Employees Stationed within the United States	30 days
Federal Employees Stationed Overseas	45 days
Members of the Senior Executive Service	90 days

Any accrued annual leave in excess of the maximum allowed by law will be forfeited. Forfeited annual leave may be restored.

Annual Leave to Establish Retirement Eligibility
An employee may use annual leave to establish initial eligibility for retirement in reduction-in-force and other restructuring situations. An employee who has received a specific notice of termination in a RIF situation may use annual leave past the date the employee would otherwise have been separated, in order to establish initial eligibility for immediate retirement, including discontinued service or voluntary early retirement.

Restoration of Annual Leave
Agencies may restore annual leave that was forfeited because it was in excess of the maximum leave ceilings (i.e., 30, 45, or 90 days) if the leave was forfeited because of an administrative error, exigency of the public business, or sickness of the employee. An agency must restore the annual leave in a separate leave account.

Administrative Error
The employing agency determines what constitutes an administrative error.

Exigency of the Public Business
The employing agency determines that an exigency is of major importance and that excess annual leave cannot be used.

Sickness
The employing agency determines that the annual leave was forfeited because of a period of absence due to an employee's sickness or injury that occurred late in the leave year or was of such duration that the excess annual leave could not be rescheduled for use before the end of the leave year.

An agency may consider for restoration annual leave that was forfeited due to an exigency of the public business or sickness of the employee only if the annual leave was scheduled in writing before the start of the third biweekly pay period prior to the end of the leave year.

Time Limit for Using Restored Annual Leave
An employee must schedule and use restored annual leave not later than the end of the leave year ending 2 years after -

- the date of restoration of the annual leave forfeited because of administrative error;
- the date fixed by the head of the agency or designee as the date of termination of the exigency of the public business; or
- the date the employee is determined to be recovered from illness or injury and able to return to duty.

Restored annual leave that is not used within the established time limits is forfeited with no further right to restoration. Administrative error may not serve as the basis to extend the time limit within which to use restored annual leave. This is so even if the agency fails to establish a separate leave account, fix the date for the expiration of the time limit, or properly advise the employee regarding the rules for using restored annual leave, absent agency regulations requiring otherwise.

Y2K Exigency
On August 25, 1999, OPM issued final regulations that permitted "use or lose" annual leave to be restored to employees who were determined to be necessary to the Y2K conversion effort. Such employees had their excess annual leave restored without the administrative burden of scheduling and canceling such leave. The regulations provide that annual leave restored because of the Y2K computer conversion exigency must be scheduled and used no later than the end of leave year 2002.

Lump-Sum Payments for Annual Leave
An employee will receive a lump-sum payment for any unused annual leave when he or she separates from federal service or enters on active duty in the armed forces and elects to receive a lump-sum payment. Generally, a lump-sum payment will equal the pay the employee would have received had he or she remained employed until expiration of the period covered by the annual leave.

Calculating a Lump-Sum Payment
An agency calculates a lump-sum payment by multiplying the number of hours of accumulated and accrued annual leave by the employee's applicable hourly rate of pay, plus other types of pay the employee would have received while on annual leave, excluding any allowances that are paid for the sole purpose of retaining a federal employee in government service (e.g., retention allowances and physicians comparability allowances).

Types of Pay Included in a Lump-Sum Payment

- Rate of basic pay
- Locality pay or other similar geographic adjustment
- Within-grade increase (if waiting period met on date of separation)

- Across-the-board annual adjustments
- Administratively uncontrollable overtime pay, availability pay, and standby duty pay
- Night differential (for FWS employees only)
- Regularly scheduled overtime pay under the Fair Labor Standards Act for employees on uncommon tours of duty
- Supervisory differentials
- Nonforeign area cost-of-living allowances and post differentials
- Foreign area post allowances

Return to Federal Service
In calculating a lump-sum payment, an agency projects forward an employee's annual leave for all the workdays the employee would have worked if he or she had remained in federal service. By law, holidays are counted as workdays in projecting the lump-sum leave period. If an employee is reemployed in the federal service prior to the expiration of the period of annual leave (i.e., the lump-sum leave period), he or she must refund the portion of the lump-sum payment that represents the period between the date of reemployment and the expiration of the lump-sum period. An agency recredits to the employee's leave account the amount of annual leave equal to the days or hours of work remaining between the date of reemployment and the expiration of the lump-sum leave period.

Sick Leave
In addition to annual leave, federal employees also accrue sick leave. Employees may use sick leave for their own personal medical needs; to care for a family member; or for adoption-related purposes. As will be explained in more detail below, however, there are special restrictions when an employee uses sick leave to care for a family member or for adoption-related purposes.

Sick Leave Accrual.

Full-time Employees - 1/2 day (4 hours) for each biweekly pay period.

Part-time Employees - 1 hour for each 20 hours in a pay status.

There are no limits on the amount of sick leave that can be accumulated. Unused sick leave accumulated by employees covered by the Civil Service Retirement System will be used in the calculation of their annuities.

Requesting Sick Leave
An employee must request sick leave within such time limits as the agency may require. An agency may require employees to request advance approval for sick leave for their own or a family member's medical, dental, or optical examination or treatment.

Granting Sick Leave
An agency may grant sick leave only when supported by evidence administratively acceptable by the agency. For absences in excess of 3 days, or for a lesser period when determined necessary by the agency, an agency may require a medical certificate or other administratively acceptable evidence.

Advance Sick Leave

At the discretion of the agency, a maximum of 30 days of sick leave may be advanced to an employee with a medical emergency or for purposes related to the adoption of a child. A maximum of 5 days of sick leave may be advanced for family care or bereavement purposes.

Sick Leave for Personal Medical Needs

An employee may use sick leave when he or she (1) is incapacitated for the performance of duties by physical or mental illness, injury, pregnancy, or childbirth; (2) receives medical, dental, or optical examination or treatment; or (3) would, as determined by the health authorities having jurisdiction or by a health care provider, jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease.

Sick Leave for Diagnostic Testing

On January 4, 2001, the President issued an executive memorandum directing agencies to review their policies and make maximum use of existing work schedule and leave flexibilities to allow federal employees to take full advantage of health screening programs and other effective preventive health measures. Such flexibilities include promoting alternative work schedules (flexible and compressed work schedules), granting leave under the federal government's sick and annual leave programs, and granting excused absence to employees to participate in agency-sponsored preventive health activities. In addition, in the case of an employee with fewer than 80 hours (2 weeks) of accrued sick leave, the President directed agencies to establish a policy that provides up to 4 hours of excused absence each year for participation in preventive health screenings.

Employees with fewer than 80 hours of sick leave to their credit are eligible to use 4 hours of excused absence each year for preventive health screenings. If, during a pay period, an employee's sick leave balance drops below 80 hours, the employee may use 4 hours of excused absence for preventive health screenings. For purposes of this directive, "year" means "leave year." "Preventive health screenings" include, but are not limited to, screening for prostate, cervical, colorectal, and breast cancer, and screening for sickle cell anemia, blood lead level, and blood cholesterol level. Other examples include screening for immunity system disorders such as HIV and blood sugar level testing for diabetes.

If an employee has more than 80 hours of accrued sick leave, the employee may not use the 4 hours of excused absence for preventive health screenings, since employees with more than 80 hours of accrued sick leave have sufficient reserves of paid leave to use for this purpose. Such employees may use credit hours or previously earned compensatory time off for preventive health screenings.

The 4 hours of excused absence may be used a portion at a time over more than 1 day during a leave year for preventive health screenings. The days on which excused absence is used do not have to be consecutive.

With respect to the timing of when an employee may take 4 hours off for a preventive health screening, agencies should accommodate an employee's request to the greatest extent practicable. However, agencies may ask employees to schedule their health screening for another

day if it would adversely affect agency operations. Of course, if an employee has a compelling health reason for an immediate health screening or test, the agency should take that into consideration.

Employees may also be granted excused absence to participate in smoking cessation activities or for other types of preventive health services, if such services are sponsored by the agency. For instance, agencies may grant excused absence for programs on nutrition education, health promotion activities, and annual health fairs. An employee may not, however, be granted excused absence to accompany a family member receiving preventive health screenings, such as stress tests, children's immunizations, and flu shots. Excused absence is not appropriate for these purposes.

Remember that while the executive memorandum encourages agencies to incorporate provisions into existing policy to allow employees time off to take advantage of health screening programs and other preventive health measures, agencies are not required to do so by law. Therefore, employees should check with their human resources office to determine their agency's policy.

Sick Leave for Family Care or Bereavement Purposes

Most federal employees may use a total of up to 104 hours (13 workdays) of sick leave each leave year to -

- provide care for a family member who is incapacitated as a result of physical or mental illness, injury, pregnancy, or childbirth;
- provide care for a family member as a result of medical, dental, or optical examination or treatment; or
- make arrangements necessitated by the death of a family member or attend the funeral of a family member.

A covered full-time employee may use 40 hours (5 workdays) of sick leave each leave year for these purposes. An additional 64 hours (8 workdays) of sick leave may be used each year if the employee maintains a balance of at least 80 hours of sick leave in his or her account.

Part-time employees and employees with uncommon tours of duty are also covered, and the amount of sick leave permitted for family care and bereavement purposes is pro-rated in proportion to the average number of hours of work in the employee's scheduled tour of duty each week.

Agencies may advance only the first 40 hours of sick leave (or a proportional amount for an employee on a part-time schedule or uncommon tour of duty).

"Family member" is defined as -

- spouse, and parents thereof;
- children, including adopted children, and spouses thereof;
- parents;
- brothers and sisters, and spouses thereof; and
- any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

Sick Leave to Care for Family Member with Serious Health Condition

Most federal employees may use a total of up to 12 administrative workweeks of sick leave each leave year to care for a family member with a serious health condition. If an employee previously has used any portion of the 13 days of sick leave for general family care or bereavement purposes in a leave year, that amount must be subtracted from the 12-week entitlement. If an employee has already used 12 weeks of sick leave to care for a family member with a serious health condition, he or she cannot use an additional 13 days in the same leave year for general family care purposes. An employee is entitled to a total of 12 weeks of sick leave each year for all family care purposes.

"Family member" is defined as-

- spouse, and parents thereof;
- children, including adopted children, and spouses thereof;
- parents;
- brothers and sisters, and spouses thereof; and
- any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

The term "serious health condition" has the same meaning as used in OPM's regulations for administering the Family and Medical Leave Act of 1993 (FMLA). That definition includes such conditions as cancer, heart attacks, strokes, severe injuries, Alzheimer's disease, pregnancy, and childbirth. The term "serious health condition" is not intended to cover short-term conditions for which treatment and recovery are very brief. The common cold, the flu, earaches, upset stomach, headaches (other than migraines), routine dental or orthodontia problems, etc., are not serious health conditions unless complications arise. The agency may require medical certification of a serious health condition.

The same limitations apply to the use of sick leave to care for a family member with a serious health condition as apply to the use of sick leave for general family care or bereavement purposes. A covered full-time employee may use 40 hours (5 workdays) of sick leave each leave year for these purposes. An employee may use additional sick leave for general family care or bereavement purposes or to care for a family member with a serious health condition if he or she maintains a balance of at least 80 hours of sick leave in his or her account. Only the first 40 hours of sick leave (or a proportional amount for an employee on a part-time schedule or uncommon tour of duty) may be advanced.

Sick Leave for Adoption

An employee may use sick leave for purposes related to the adoption of a child. The agency may advance up to 30 days of sick leave for adoption-related purposes.

Examples of "adoption-related purposes" may include, but are not limited to:

- Appointments with adoption agencies, social workers, and attorneys;
- Court proceedings;
- Required travel;
- Any periods of time the adoptive parents are ordered or required by the adoption agency or by the court to take time off from work to care for the adopted child; and
- Any other activities necessary to allow the adoption to proceed.

Adoptive parents who voluntarily choose to be absent from work to bond with or care for an adopted child may not use sick leave for this purpose. Parents may use annual leave or leave without pay for these purposes. An agency may request administratively acceptable evidence for absences related to adoption.

Bone Marrow or Organ Donor Leave
An employee may use up to 7 days of paid leave each calendar year to serve as a bone-marrow donor. An employee also may use up to 30 days of paid leave each calendar year to serve as an organ donor. Leave for bone marrow and organ donation is a separate category of leave that is in addition to annual and sick leave. Agencies are responsible for informing their employees of the entitlement to leave for bone marrow and organ donation.

Court Leave
An employee is entitled to paid time off without charge to leave for service as a juror or witness. An employee is responsible for informing his or her supervisor if he or she is excused from jury or witness service for one day or more or for a substantial part of a day. To avoid undue hardship, an agency may adjust the schedule of an employee who works nights or weekends and is called to jury duty. (If there is no jury/witness service, there is no court leave. The employee would be charged annual leave, sick leave, or leave without pay, as appropriate.)

An employee who is summoned to serve as a juror in a judicial proceeding is entitled to court leave. An employee who is summoned as a witness in a judicial proceeding in which the Federal, State, or local government is a party is entitled to court leave.

An employee who is summoned as a witness in an official capacity on behalf of the federal government is on official duty, not court leave.

Employees must reimburse to their agency fees paid for service as a juror or witness. However, monies paid to jurors or witnesses that are in the nature of "expenses" (e.g., transportation) do not have to be reimbursed to the agency.

Family and Medical Leave
Under the Family and Medical Leave Act of 1993 (FMLA), most federal employees are entitled to a total of up to 12 workweeks of unpaid leave during any 12-month period for the following purposes:

- the birth of a son or daughter of the employee and the care of such son or daughter;
- the placement of a son or daughter with the employee for adoption or foster care;
- the care of spouse, son, daughter, or parent of the employee who has a serious health condition; or
- a serious health condition of the employee that makes the employee unable to perform the essential functions of his or her position.

Under certain conditions, an employee may use the 12 weeks of FMLA leave intermittently. An employee may elect to substitute annual leave and/or sick leave, consistent with current laws and OPM's regulations for using annual and sick leave, for any unpaid leave under the FMLA. (The

amount of sick leave that may be used to care for a family member is limited.) Note that FMLA leave is in addition to other paid time off available to an employee.

Upon return from FMLA leave, an employee must be returned to the same position or to an "equivalent position with equivalent benefits, pay, status, and other terms and conditions of employment."

An employee who takes FMLA leave is entitled to maintain health benefits coverage. An employee on unpaid FMLA leave may pay the employee share of the premiums on a current basis or pay upon return to work.

An employee must provide notice of his or her intent to take family and medical leave not less than 30 days before leave is to begin, or in emergencies, as soon as is practicable. An agency may request medical certification for FMLA leave taken to care for an employee's spouse, son, daughter, or parent who has a serious health condition or for the serious health condition of the employee.

Military Leave

An employee is entitled to time off at full pay for certain types of active or inactive duty in the National Guard or as a Reserve of the Armed Forces. Any full-time federal civilian employee whose appointment is not limited to 1 year is entitled to military leave. Military leave is prorated for part-time career employees and employees on an uncommon tour of duty.

Types of Military Leave

5 U.S.C. 6323 (a) provides 15 calendar days per fiscal year for active duty, active duty training, and inactive duty training. An employee can carry over a maximum of 15 days into the next fiscal year. Inactive Duty Training is authorized training performed by members of a Reserve component not on active duty and performed in connection with the prescribed activities of the Reserve component. It consists of regularly scheduled unit training periods, additional training periods, and equivalent training.

5 U.S.C. 6323 (b) provides 22 workdays per calendar year for emergency duty as ordered by the President or a State governor. This leave is provided for employees who perform military duties in support of civil authorities in the protection of life and property.
5 U.S.C. 6323(c) provides unlimited military leave to members of the National Guard of the District of Columbia for certain types of duty ordered or authorized under title 39 of the District of Columbia Code.

5 U.S.C. 6323(d) provides that Reserve and National Guard Technicians only are entitled to 44 workdays of military leave for duties overseas under certain conditions.

Days of Leave

Military leave should be credited to a full-time employee on the basis of an 8-hour workday. The minimum charge to leave is 1 hour. An employee may be charged military leave only for hours that the employee would otherwise have worked and received pay.

Employees who request military leave for inactive duty training (which generally is 2, 4, or 6 hours in length) will now be charged only the amount of military leave necessary to cover the period of training and necessary travel. Members of the Reserves and National Guard will no longer be charged military leave for weekends and holidays that occur within the period of military service.

A full-time employee working a 40-hour workweek will accrue 120 hours (15 days x 8 hours) of military leave in a fiscal year, or the equivalent of three 40-hour workweeks. Military leave under 6323(a) will be prorated for part-time employees and for employees on uncommon tours of duty based proportionally on the number of hours in the employee's regularly scheduled biweekly pay period. Here are some examples:

Hours in the regularly scheduled biweekly pay period	Ratio of hours in the regularly scheduled pay period to an 80-hour pay period (the number of hours in the pay period ÷ 80)	Hours of military leave accrued each fiscal year	Pay Periods of military leave accrued each fiscal year.
40	.5 (40 ÷ 80)	.5 x 120 = 60 hours	1.5 40-hour pay periods
106	1.325 (106 ÷ 80)	1.325 x 120 = 159 hours	1.5 106-hour pay periods
120	1.5 (120 ÷ 80)	1.5 x 120 = 180 hours	1.5 120-hour pay periods
144	1.8 (144 ÷ 80)	1.8 x 120 = 216 hours	1.5 144-hour pay periods

Effect on Civilian Pay

An employee's civilian pay remains the same for periods of military leave under 5 U.S.C. 6323(a), including any premium pay (except Sunday premium pay) an employee would have received if not on military leave. For military leave under 5 U.S.C. 6323(b) and (c), the employee's civilian pay is reduced by the amount of military pay for the days of military leave. However, an employee may choose not to take military leave and instead take annual leave in order to retain both civilian and military pay.

Leave Without Pay

Leave without pay (LWOP) is a temporary nonpay status and absence from duty that, in most cases, is granted at the employee's request. In most instances, granting LWOP is a matter of supervisory discretion and may be limited by agency internal policy.

Employees, however, have an entitlement to LWOP in the following situations:

- The Family and Medical Leave Act of 1993 (FMLA) provides covered employees with an entitlement to a total of up to 12 weeks of unpaid leave (LWOP) during any 12-month period for certain family and medical needs.

- The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) provides employees with an entitlement to LWOP when employment with an employer is interrupted by a period of service in the uniformed service.
- Executive Order 5396, July 17, 1930, provides that disabled veterans are entitled to LWOP for necessary medical treatment.
- Employees may not be in a pay status while receiving workers' compensation payments from the Department of Labor.

Employees should be aware that LWOP affects their entitlement to or eligibility for certain federal benefits.

Leave Transfer and Leave Bank Programs

Leave Bank Program
An employee who is a member of his or her agency's voluntary leave bank may receive annual leave from the leave bank if the employee experiences a personal or family medical emergency and has exhausted his or her available paid leave. The agency's leave bank board operates the leave bank and determines how much donated annual leave an employee may receive from the leave bank. Any unused donated annual leave is returned to the leave bank.

Leave Bank Member
To become and remain a leave bank member, an employee must donate each leave year not less than the amount of annual leave he or she normally accrues in a pay period (i.e., 4, 6, or 8 hours).

Leave Recipient
A potential leave recipient's employing agency must determine that the full-time employee's absence from duty without available paid leave because of the medical emergency is (or is expected to be) at least 24 hours. For part-time employees or employees on uncommon tours of duty, the period of absence without paid leave is prorated. An employee may receive donated annual leave when he or she becomes an approved leave recipient.

Minimum and Maximum Limitations on Leave Donations
In any leave year, an employee may donate not more than one-half of the amount of annual leave he or she would accrue during the leave year. For employees with "use or lose" annual leave, the employee may donate the lesser of one-half of the annual leave he or she would accrue in a leave year or the number of hours remaining in the leave year for which the employee is scheduled to work and receive pay.

Set-Aside Accounts
While using donated leave, a leave recipient may accrue no more than 40 hours of annual leave and 40 hours of sick leave in "set-aside accounts." The leave in the set-aside accounts will be transferred to the employee's regular leave accounts when the medical emergency ends or if the employee exhausts all donated leave.

Leave Transfer Program
An employee may donate annual leave directly to another federal employee who has a personal or family medical emergency and who has exhausted his or her available paid leave. Each agency must administer a voluntary leave transfer program for its employees. There is no limit on the amount of donated annual leave a leave recipient may receive from the leave donor(s). However, any unused donated leave must be returned to the leave donor(s) when the medical emergency ends.

Emergency Leave Transfer Program
In the event of major disasters or emergencies declared by the President, such as floods, earthquakes, tornadoes, bombings, etc., that result in severe adverse effects for a substantial number of employees, the President may direct OPM to establish an emergency leave transfer program. Under such a program, an employee in any Executive agency may donate annual leave for transfer to employees of his or her agency or to employees of other agencies who are adversely affected by the disaster or emergency. This program provides federal employees with a special opportunity to help their fellow workers in times of need.

Holidays
The following days have been established by Congress as legal public holidays each year:

New Year's Day (January 1)
Birthday of Martin Luther King, Jr. (Third Monday in January)
Washington's Birthday (Third Monday in February)
Memorial Day (Last Monday in May)
Independence Day (July 4)
Labor Day (First Monday in September)
Columbus Day (Second Monday in October)
Veterans Day (November 11)
Thanksgiving Day (Fourth Thursday in November)
Christmas Day (December 25)

"In Lieu of" Holidays
A full-time employee is entitled to an "in lieu of" holiday when a holiday falls on a non-workday. In such cases, the employee's holiday is the basic workday immediately preceding the non-workday. A basic workday for this purpose includes a day when part of the basic work requirement for an employee under a flexible work schedule is planned or scheduled to be performed.

There are three exceptions:
- If the non-workday is Sunday (or an "in lieu of" Sunday), the next basic workday is the "in lieu of" holiday.
- If Inauguration Day falls on a non-workday, there is no provision for an "in lieu of" holiday.
- If the head of an agency determines that a different "in lieu of" holiday is necessary to prevent an "adverse agency impact," he or she may designate a different "in lieu of" holiday for full-time employees under compressed work schedules.

An employee is not entitled to another day off as an "in lieu of" holiday if a federal office or facility is closed on a holiday because of a weather emergency or when employees are furloughed on a holiday.

Holidays for Employees Outside the United States

Holidays designated by law to occur on Monday (i.e., Birthday of Martin Luther King, Jr., Washington's Birthday, Memorial Day, Labor Day, and Columbus Day) are moved to Sundays for employees at duty posts outside the United States who are regularly scheduled to work on Monday. This applies to employees whose basic workweek is Sunday through Thursday. However, it does not apply to employees whose basic workweek is Monday through Friday or Monday through Saturday. This rule does not apply to "in lieu of" holidays.

Presidential Closing of Agencies

Presidents occasionally issue Executive Orders closing federal departments and agencies for part or all of a workday. Employees are excused from duty during such periods unless they are "emergency employees," as determined by their agencies. Such Executive Orders often provide that the time off will be treated like a holiday for pay and leave purposes. Employees who are required to work during their basic tour of duty on such days are entitled to holiday premium pay.

Part-Time Employees

A part-time employee is entitled to a holiday when the holiday falls on a day when he or she would otherwise be required to work or take leave. This does not include overtime work. If a holiday falls on a non-workday, part-time employees are not entitled to an "in lieu of" holiday. If an agency's office or facility is closed due to an "in lieu of" holiday for full-time employees, the agency may grant paid excused absence to part-time employees who are otherwise scheduled to work on that day.

Employees With Intermittent Tours of Duty

Employees with intermittent tours of duty are not entitled to holidays, basic pay for not working on holidays, or holiday premium pay. Intermittent employment means employment without a regularly scheduled tour of duty. Holiday work means non-overtime work performed by an employee during a regularly scheduled daily tour of duty on a holiday. Employees without a regular tour of duty are not prevented from working on a particular day because it is a holiday.

2002 and 2003 Federal Holidays

The following are public holidays for the years 2002 and 2003. Please note that most federal employees work on a Monday through Friday schedule. For these employees, when a holiday falls on a non-workday - Saturday or Sunday - the holiday usually is observed on Monday (if the holiday falls on Sunday) or Friday (if the holiday falls on Saturday).

2002 Federal Holidays

Tuesday, January 1	New Years Day
Monday, January 21	Birthday of Martin Luther King, Jr.

Monday, February 18	Washington's Birthday
Monday, May 27	Memorial Day
Thursday, July 4	Independence Day
Monday, September 2	Labor Day
Monday, October 14	Columbus Day
Monday, November 11	Veterans Day
Thursday, November 28	Thanksgiving Day
Wednesday, December 25	Christmas Day

2003 Federal Holidays

Wednesday, January 1	New Years Day
Monday, January 20	Birthday of Martin Luther King, Jr.
Monday, February 17	Washington's Birthday
Monday, May 26	Memorial Day
Friday, July 4	Independence Day
Monday, September 1	Labor Day
Monday, October 13	Columbus Day
Tuesday, November 11	Veterans Day
Thursday, November 27	Thanksgiving Day
Thursday, December 25	Christmas Day

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Alternative Work Schedules

An agency may implement for its employees an alternative work schedule (AWS) instead of a traditional fixed work schedule (e.g., 8 hours per day, 40 hours per week). Within rules established by the agency, alternative work schedules can enable employees to have work schedules that help them balance their work and family responsibilities. There are two categories of Alternative Work Schedules: Compressed Work Schedules (CWS) and Flexible Work Schedules (FWS).

Compressed Work Schedules
Compressed work schedules are fixed work schedules that allow full-time employees to complete the basic 80-hour biweekly work requirement in less than 10 work days. Part-time employees who work fewer than 80 hours in a biweekly pay period also complete their work in fewer than 10 work days per biweekly pay period. Compressed work schedules are fixed work schedules, which means that while agencies may change or stagger the arrival and departure times of employees, there are no provisions for employee flexibility in starting or quitting times under a CWS program.

Credit Hours
There is no legal authority for credit hours under a CWS program. The law provides for credit hours only for flexible work schedules.

Overtime Work
For a full-time employee under a CWS program who is exempt from the FLSA, overtime hours are all officially ordered and approved hours of work in excess of the compressed work schedule. For a full-time employee who is covered by the FLSA (non-exempt), overtime hours also include any hours worked outside the compressed work schedule that are "suffered or permitted." For a part-time employee, overtime hours are hours in excess of the compressed work schedule for a day (but must be more than 8 hours) or for a week (but must be more than 40 hours).

Compensatory Time Off
Employee requests for compensatory time off in lieu of overtime pay may be approved only for irregular or occasional overtime work by an employee or by a prevailing rate employee. Compensatory time off may not be approved for an SES member. Mandatory compensatory time off is limited to FLSA-exempt employees (who are not prevailing rate employees) whose rate of basic pay is greater than the rate for GS-10, step 10, and only in lieu of overtime pay for irregular or occasional overtime work.

Night Pay (General Schedule Employees)
The regular rules apply. An employee is entitled to night pay for regularly scheduled night work performed between the hours of 6 p.m. and 6 a.m.

Night Differential (Prevailing Rate Employees)
The regular rules apply in determining the majority of hours for entitlement to night pay for prevailing rate employees.

Holiday Pay (When No Work Is Performed)
A full-time employee on a CWS who is relieved or prevented from working on a day designated as a holiday (or an "in lieu of" holiday) is entitled to his or her rate of basic pay for the number of hours of the compressed work schedule on that day.

If a holiday falls on a day during a part-time employee's scheduled tour of duty and the employee is relieved or prevented from working on that day, the employee is entitled to his or her rate of basic pay for the number of hours he or she normally would have been scheduled to work that day.

Determining "in Lieu of" Holidays when Holidays Fall on Nonworkdays
Nonworkdays Other than Sunday - Generally, if a holiday falls on a nonworkday of the employee, the employee's preceding workday will be the designated "in lieu of" holiday.

Sunday Nonworkday - Except as provided below, if the holiday falls on the Sunday nonworkday of an employee, the subsequent workday will be the employee's designated "in lieu of" holiday.

Bear in mind that the head of an agency may prescribe rules under which a different "in lieu of" holiday is designated than would normally be required, when the head of an agency determines that a different "in lieu of" holiday is necessary to prevent an "adverse agency impact."

An agency may also change an employee's schedule (and scheduled days off) for operational reasons. Schedule changes must generally be documented and communicated to employees in advance of the start of an administrative workweek.

Pay for Holiday Work
A full-time employee under a CWS program who performs nonovertime work on a holiday (or a day designated as the "in lieu of" holiday) is entitled to basic pay plus premium pay equal to his or her rate of basic pay for the work that is not in excess of the employee's compressed work schedule for that day.

Note that since CWS schedules are fixed schedules, employees must not be required to move their regularly scheduled days off solely to avoid payment of holiday premium pay or to reduce the number of holiday hours included in the basic work requirement.

A part-time employee under a CWS program is entitled to holiday premium pay only for work performed during his or her compressed work schedule on a holiday. A part-time employee scheduled to work on a day designated as an "in lieu of" holiday for full-time employees is not entitled to holiday premium pay for work performed on that day, since part-time employees are not entitled to "in lieu of" holidays.

Pay for Sunday Work
A full-time employee who performs nonovertime work during a tour of duty, a part of which is performed on Sunday, is entitled to Sunday premium pay for his or her entire tour of duty on that day. A part-time employee is not entitled to premium pay for Sunday work.

Paid Time Off
Paid time off during an employee's basic work requirement must be charged to sick or annual leave unless the employee used other paid leave or accumulated compensatory time off, or unless excused absence is approved.

Temporary Duty
When an employee covered by a CWS program is assigned to a temporary duty station using another work schedule - either traditional or AWS - the agency may allow the employee to continue to use the schedule used at his or her permanent work site (if suitable) or require the employee to change the schedule to conform to operations at the temporary work site.

Travel
When an Fair Labor Standards Act (FLSA)-exempt or nonexempt employee under a CWS program is in a travel status during the hours of his or her regularly scheduled administrative workweek, including regularly scheduled overtime hours, that time is considered to be hours of work and must be used for the purpose of overtime pay calculations, as applicable. Note, however, that overtime hours are initially scheduled for work, not travel.

For employees under a CWS program, "regularly scheduled administrative workweek" means the compressed work schedule applicable to an employee and any regularly scheduled overtime work. An agency must also determine the number of corresponding hours for an employee on a nonworkday for the purpose of determining hours of work for travel under the FLSA overtime provisions.

For FLSA-exempt employees under compressed work schedules, hours of work for time spent in a travel status outside the regularly scheduled administrative workweek and away from the official duty station is determined in accordance with 5 CFR 550.112(g) or 5 U.S.C. 5544 (for prevailing rate employees). For nonexempt employees, the total number of hours of work for travel outside the regularly scheduled administrative workweek and away from the official duty station is determined by applying both 5 CFR 550.112(g) or 5 U.S.C. 5544 and 5 CFR 551.422.

An agency may require an employee to follow a traditional fixed schedule (8 hours a day and 40 hours a week) during pay periods he or she travels.

Hardships
Any employee for whom a CWS would impose a personal hardship must be excluded from the schedule or be reassigned. Each agency should have a procedure for an employee to request exclusion from a CWS based on personal hardship.

Flexible Work Schedules
Like compressed work schedules, an agency may implement for its employees a flexible work schedule instead of the traditional fixed work schedules (e.g., 8 hours per day, 40 hours per week). Flexible work schedules are useful for many employees because they allow them to balance work and family or personal responsibilities.

Flexible Work Schedules (FWS) consist of workdays with (1) core hours and (2) flexible hours. Core hours are the designated period of the day when all employees must be at work. Flexible hours are the part of the workday when employees may (within limits or "bands") choose their time of arrival and departure. Within limits set by their agencies, FWS can enable employees to select and alter their work schedules to better fit personal needs and help balance work, personal, and family responsibilities.

Employee Coverage
A federal employee, as defined in section 2105(a) or (c) of title 5, United States Code, who is employed by an agency, as defined in 5 U.S.C. 6121(1), may be covered by a flexible work schedule. Flexible work schedules are voluntary work schedules that are approved by supervisors or managers.

Credit Hours
Credit hours are any hours within an FWS that are in excess of an employee's basic work requirement (e.g., 40 hours a week) that the employee elects to work to vary the length of a workweek or a workday. Agencies may limit or restrict the earning and use of credit hours. OPM regulations prohibit Senior Executive Service (SES) members from accumulating credit hours under alternative work schedule programs. The law prohibits carrying over more than 24 credit hours from one pay period to the next.

Overtime
For employees under FWS programs, overtime hours are all hours of work in excess of 8 hours in a day or 40 hours in a week which are officially ordered in advance by management. The requirement that overtime hours be officially ordered in advance also applies to nonexempt employees under the Fair Labor Standards Act (FLSA). Employees on flexible work schedules may not earn overtime pay as a result of including "suffered or permitted" hours (under the FLSA) as hours of work.

Management may order an employee who is covered by an FWS program to work hours that are in excess of the number of hours the employee planned to work on a specific day. If the hours ordered to be worked are not in excess of 8 hours in a day or 40 hours in a week at the time they are performed, the agency, at its discretion, may permit or require the employee to:

1) take time off from work on a subsequent workday for a period of time equal to the number of extra hours of work ordered;
2) complete his or her basic work requirement as scheduled and count the extra hours of work ordered as credit hours; or
3) complete his or her basic work requirement as scheduled if the agency policy permits. This will result in an employee entitlement to be compensated at the rate of basic pay for any hours of work equal to or less than 8 hours in a day or 40 hours in a week. An

employee also would be entitled to overtime pay for hours of work ordered in excess of 8 hours in a day or 40 hours in a week.

Compensatory Time Off

"Compensatory time off" is time off on an hour-for-hour basis in lieu of overtime pay. For employees under FWS, the overtime hours of work may be regularly scheduled or irregular or occasional. An agency may grant compensatory time off in lieu of overtime pay at the request of the employee (including prevailing rate employees and nonexempt employees) under a flexible work schedule.

Compensatory time off, in lieu of overtime pay, may not be required for:

1) any prevailing rate employee;
2) any employee who is nonexempt from the FLSA; or
3) any FLSA-exempt employee whose rate of basic pay is equal to or less than the rate for GS-10, step 10.

Mandatory compensatory time off, in lieu of overtime pay for irregular or occasional overtime work, may be ordered for employees who are FLSA exempt and whose rate of basic pay exceeds the rate for GS-10, step 10. However, this does not apply to prevailing rate employees who are FLSA exempt. The rate of basic pay for GS-10, step 10, includes any applicable special rate of pay for law enforcement officers or special pay adjustment for law enforcement officers under section 403 or 404 of the Federal Employees Pay Comparability Act of 1990 (Pub. L. 101-509), respectively; an applicable locality-based comparability payment under 5 U.S.C. 5304; and any applicable special rate of pay under 5 U.S.C. 5305 or similar provision of law).

Night Pay (General Schedule Employees)

If an employee's tour of duty includes 8 or more hours available for work during daytime hours (i.e., between 6 a.m. and 6 p.m.), he or she is not entitled to night pay even though he or she voluntarily elects to work during hours for which night pay is normally required (i.e., between 6 p.m. and 6 a.m.). Agencies must pay night pay for those hours that must be worked between 6 p.m. and 6 a.m. to complete an 8-hour daily tour of duty. An employee is entitled to night pay for any nonovertime work performed between 6 p.m. and 6 a.m. during designated core hours. Note: An employee who performs regularly scheduled overtime work at night is also entitled to night pay.

Night Differential (Prevailing Rate Employees)

Night differential will not be paid solely because a prevailing rate employee elects to work credit hours, or elects a time of arrival or departure at a time of day when night differential is otherwise authorized, except that prevailing rate employees are entitled to night differential for regularly scheduled nonovertime work when a majority of the hours of a FWS schedule for a daily tour of duty occur during the night.

Holiday Pay (When No Work Is Performed)

Under an FWS program, a full-time employee who is relieved or prevented from working on a day designated as a holiday (or an "in lieu of" holiday) is entitled to his or her rate of basic pay on that day for 8 hours.

If a holiday falls on a day during a part-time FWS employee's tour of duty and the employee is relieved or prevented from working on that day, the employee is entitled to his or her rate of basic pay for the typical, average, or scheduled number of hours of work for that day toward his or her basic work requirement (not to exceed 8 hours). If a part-time FWS employee has maintained a reasonably consistent schedule for several pay periods, the employee may be paid for the number of hours he or she would have worked had the holiday not relieved or prevented the employee from working (not to exceed 8 hours). If a part-time employee has no typical schedule, the agency may average the number of hours worked in prior weeks on days corresponding to the holiday to determine an employee's pay entitlement for that holiday (not to exceed 8 hours).

A work schedule submitted in advance of the administrative work week also may be used by an agency as the basis for determining the number of hours to pay a part-time employee on a holiday. However, agencies should ensure that there is no abuse of entitlement. For example, an employee should not schedule more hours of work on a holiday than he or she has scheduled in prior weeks on days corresponding to the holiday.

Determining "In Lieu of" Holidays when Holidays Fall on Nonworkdays

Nonworkdays Other than Sunday - If a holiday falls on a nonworkday of the employee - except for holidays falling on a Sunday nonworkday - the employee's preceding workday will be the designated "in lieu of" holiday.

Sunday Nonworkday - If the holiday falls on the Sunday nonworkday of an employee, the subsequent workday will be the employee's designated "in lieu of" holiday.

Part-time employees - Part-time employees are not entitled to an "in lieu of" holiday when a holiday falls on a nonworkday for the employee.

Pay for Holiday Work

A full-time employee under an FWS program who performs non-overtime work on a holiday (or a day designated as the "in lieu of" holiday) is entitled to his or her rate of basic pay plus premium pay equal to his or her rate of basic pay for that holiday work. Holiday premium pay is limited to a maximum of 8 hours.

Note: Agencies must designate the 8 holiday hours applicable to each FWS employee. The 8 hours designated as holiday hours must include all applicable core hours.

An employee under an FWS program who works during non-overtime and non-holiday hours that are part of the employee's basic work requirement on a holiday is paid his or her rate of basic pay for those hours of work.

Example: An employee who works 10 hours on a holiday (including 1 hour of overtime work ordered by a supervisor) and who has a 9-hour basic work requirement on that day would earn holiday premium pay for the 8 holiday hours designated by the agency, his or her rate of basic pay for 1 hour (within the basic work requirement), and 1 hour of overtime pay.

A part-time employee under an FWS program is entitled to holiday premium pay only for work performed during his or her basic work requirement on a holiday (not to exceed 8 hours). A part-time employee, scheduled to work on a day designated as an "in lieu of" holiday for full-time employees is not entitled to holiday premium pay for work performed on that day.

Pay for Sunday Work

A full-time employee who performs regularly scheduled nonovertime work, a part of which is performed on Sunday, is entitled to Sunday premium pay for the entire daily tour of duty, not to exceed 8 hours. It is possible for an employee to have two daily tours of duty that begin or end on the same Sunday.

A full-time employee is entitled to Sunday premium pay for the entire daily tour of duty, up to 8 hours, based upon electing to work any flexible hours on a Sunday. However, an agency may preclude employees from working flexible hours on a Sunday.

A part-time employee is not entitled to Sunday premium pay.

Paid Time Off

Paid time off during an employee's basic work requirement must be charged to the appropriate leave category, credit hours, compensatory time off, or to excused absence if warranted.

There is no requirement that employees use flexible hours for medical or dental appointments or other personal matters if the employee wishes to charge this time to leave. To the extent permitted by the agency, an employee may choose to charge time off during flexible hours to an appropriate leave category or use credit hours when time off is scheduled during flexible hours in order to preserve leave.

An employee may apply no more sick or annual leave to a given day than he or she is scheduled to work on that day. In organizations in which employees are not required to schedule their daily work hours in advance, agencies should develop policies to ensure that sick leave is not abused.

Excused Absence

The head of an agency may grant excused absence with pay to employees covered by an FWS program under the same circumstances as excused absence would be granted to employees covered by other work schedules. For employees on a flexible work schedule, the amount of excused absence to be granted should be based on the employee's established basic work requirement in effect for the period covered by the excused absence.

When employees who would otherwise be required to report to work are excused from work because of an office closure due to a weather emergency or furlough, other employees who do not have a scheduled workday(s) during the office closure or furlough may not be granted another nonworkday. The Comptroller General has determined that employees taking a day off under a flexible work schedule are in a non-pay status on those days. Therefore, if the agency is closed because of weather conditions, the employees have no entitlement to an additional day off.

Temporary Duty

When an employee covered by an FWS program is assigned to a temporary duty station using another schedule - either traditional or AWS - the agency may allow the employee to continue to use the schedule used at his or her permanent work site (if suitable) or require the employee to change the schedule to conform to operations at the temporary work site.

Travel

When an Fair Labor Standards Act (FLSA)-exempt or nonexempt employee under an FWS program is in a travel status during the hours of his or her regularly scheduled administrative workweek, including regularly scheduled overtime hours, that time is considered to be hours of work and must be used for the purpose of overtime pay calculations, as applicable. Note, however, that overtime hours are initially scheduled for work, not travel.

Because time spent in a travel status outside regularly scheduled hours is not compensable in many cases, agencies must determine what constitutes regularly scheduled work for employees covered by an FWS program when they travel. Agencies must also determine the number of corresponding hours for an employee on a nonworkday under the FLSA overtime provisions.

For FLSA-exempt employees under flexible work schedules, hours of work for time spent in a travel status outside the regularly scheduled administrative workweek and away from the official duty station are determined in accordance with 5 CFR 550.112(g) or 5 U.S.C. 5544 (for prevailing rate employees). For nonexempt employees, the total number of hours of work for travel outside the regularly scheduled administrative workweek and away from the official duty station is determined by applying both 5 CFR 550.112(g) or 5 U.S.C. 5544 and 5 CFR 551.422.

An agency may require an employee to follow a traditional fixed schedule (8 hours a day, 40 hours a week) during pay periods he or she travels.

An employee may not earn credit hours for travel because travel in connection with government work is not voluntary in nature. In other words, travel itself does not meet the definition of credit hours in 5 U.S.C. 6121(4), which provides that credit hours are hours within a flexible work schedule in excess of the employee's basic work requirement which the employee elects to work so as to vary the length of a workweek or a workday. If travel time creates overtime hours of work (see the previous paragraphs of this section, above) the employee must be compensated by payment of overtime pay or under the rules for granting or requiring compensatory time off.

Adjustment Of Work Schedules For Religious Observance

To the extent that modifications in work schedules do not interfere with the efficient accomplishment of an agency's mission, an employee whose personal religious beliefs require that he or she abstain from work at certain times of the workday or workweek must be permitted to work alternative work hours so that the employee can meet the religious obligation. The hours worked in lieu of the normal work schedule do not create any entitlement to premium pay (including overtime pay). Adjustments of work schedules for religious observances may be approved for an employee who is employed in or under an executive agency.

Approval

Agencies should require employees to submit a written request for an adjusted work schedule in advance. An employee should specifically state that his or her request for an adjusted work schedule is for religious purposes and should provide acceptable documentation of the need to abstain from work.

When deciding whether an employee's request for an adjusted work schedule should be approved, a supervisor should not make any judgment about the employee's religious beliefs or his or her affiliation with a religious organization. A supervisor may disapprove an employee's request if modifications of an employee's work schedule would interfere with the efficient accomplishment of the agency's mission. If an employee's request is approved, a supervisor may determine whether the alternative work hours will be scheduled before or after the religious observance.

Documenting An Adjusted Work Schedule

An employee's request for time off should not be granted without simultaneously scheduling the hours during which the employee will work to make up the time. This provides a clear record of the employee's adjusted work schedule. An employee should be allowed to accumulate only the number of hours of work needed to make up for previous or anticipated absences from work for religious observances.

If an employee is absent when he or she is scheduled to perform work to make up for a planned absence for a religious observance, the employee must take paid leave, request leave without pay, or be charged absent without leave, if appropriate. These are the same options that apply to any other absence from an employee's basic work schedule.

Impact on Pay

The overtime pay provisions of title 5, United States Code, and the Fair Labor Standards Act of 1938, as amended, do not apply to employees who work different hours or days because of religious observances, even if an employee voluntarily works in excess of 40 hours per week or 8 hours per day for this purpose. If an employee is separated or transferred before using the time set aside for religious observances, any hours not used must be paid at the employee's rate of basic pay in effect when the extra hours of work were performed.

10

Employee Assistance Programs

Every federal agency has an Employee Assistance Program (EAP), which has the goal of helping employees with any problems they may face and restoring them to full productivity. Specifically, the EAP provides free, confidential short term counseling to identify the employee's problem and, when appropriate, to make a referral to an outside organization, facility, or program that can assist the employee in resolving the issue. It is the employee's responsibility to follow through with this referral, and it is also the employee's responsibility to make the necessary financial arrangements for any treatment, as with any other medical condition.

EAPs are available for employees who have alcohol and/or drug problems and who are seeking rehabilitation and the opportunity to become fully productive members of the workforce. Managers and supervisors are urged to become familiar with the EAP and to make referrals and/or to recommend to employees that they seek help through the EAP. Participation in the EAP is voluntary. It is the employee's decision whether to participate or not.

In addition to substance abuse problems, most agency EAPs provide comprehensive counseling and referral services to help employees achieve a balance among work, family, and other responsibilities. Job effectiveness can be adversely affected when employees are faced with mental or emotional problems, difficult family situations, unusual financial or legal difficulties, or dependent care needs. EAP can be extremely important in the prevention of, and intervention in, workplace violence incidents. It has also been found to be helpful in providing assistance to employees during agency restructuring.

Employees who are experiencing difficulties in their work or personal life may wish to consult with their agency's EAP to request assistance.

11
Federal Employees Health Benefits Program

The Federal Employees Health Benefits (FEHB) Program is the largest employer-sponsored group health insurance program in the world, covering approximately 9 million people including employees, annuitants, and their family members, as well as some former spouses and former employees. The FEHB Program offers fee-for-service plans, Health Maintenance Organizations (HMOs), and plans offering a Point of Service (POS) product. This chapter covers all the aspects of the FEHB program, as well as Temporary Continuation of Coverage (TCC), which is a feature that allows certain people to temporarily continue their FEHB coverage after their regular coverage ends. It is important to remember that employees must exhaust TCC eligibility as one condition for guaranteed access to individual health coverage under the Health Insurance Portability and Accountability Act of 1996.

Enrolling

You can enroll in FEHB if you are:

- a permanent federal employee with a regularly scheduled tour of duty;
- a temporary employee with an appointment for longer than one year; or
- a temporary employee with an appointment limited to one year or less, and you have completed one year of current continuous employment (excluding any break in service of 5 days or less).

You are not eligible to enroll if you are an intermittent employee (you don't have a prearranged regular tour of duty) or if your position is excluded from coverage by law or regulation.

You do not have to join the FEHB program if you don't want to. You decide whether you want to participate in the FEHB Program. When you first become eligible, your human resources office will ask you to choose either to enroll or not to enroll. If you don't enroll when you first become eligible, you won't be able to enroll until Open Season or until another event permitting enrollment occurs.

What the FEHB Program Offers

The FEHB Program offers:

- Group-rated premiums and benefits;
- A government contribution toward the cost of your plan;
- Your choice of plans and options;
- Annual enrollment opportunities (called Open Season);
- Guaranteed coverage that your plan can't cancel;
- No waiting periods, medical examinations or restrictions because of age or physical condition;
- Catastrophic protection against unusually large medical bills;
- Salary deduction for premiums;

- Temporary continuation of FEHB coverage or conversion to an individual contract after your enrollment or a family member's coverage ends;
- Continued group coverage into retirement or while you are receiving Workers' Compensation; and
- Continued group coverage for your family after you die.

Learning About Participating Health Plans
Before you enroll, your human resources office will give you a copy of the most current Guide to Federal Employees Health Benefits Plans. Use that to decide which health plans you are interested in, and request those plans' brochures from your human resources office. Read the brochures carefully to find out what each plan covers, its rules, its exclusions, and its limitations. Once you enroll, your health plan will send you an updated brochure every year that specifies changes for the upcoming year. If you want to continue your current enrollment, you don't have to do anything during Open Season. If your agency participates in Employee Express, you can make enrollment changes online during Open Season.

Cost of FEHB Coverage
You share the cost of your health benefits coverage with the government. Most full-time employees pay only 25% of the total premium. Premiums and the government contribution change yearly. If you are a part-time employee, your share of the premiums will be greater than for a full-time employee. Ask your human resources office for information about the cost of your enrollment. If you are a temporary employee, former spouse, or person enrolled under temporary continuation of coverage, the government does not contribute toward the cost of your enrollment. You must pay both the government and employee shares of the cost.

Premium Conversion
Premium conversion is a method of reducing your taxable income by the amount of your FEHB insurance premium. Section 125 of the Internal Revenue Code allows your employer to provide a portion of your salary in pre-tax benefits rather than in cash. The effect is that your taxable income is reduced. You save on:
- Federal income tax,
- Social Security tax,
- Medicare tax, and
- State and local income tax (in most States and localities).

Premium conversion has no effect on:
- statutory pay provisions,
- the General Schedule,
- the amount of your health insurance premium,
- the government contribution towards your FEHB premium, or
- your base pay for retirement, life insurance, or the Thrift Savings Plan.

You are automatically enrolled in premium conversion effective the first pay period on or after October 1, 2000, if you are an active employee of the Executive Branch of the federal government and you participate in the FEHB Program. If the Executive Branch does not employ you, or an Executive Branch agency does not issue your pay, you may participate in premium conversion if your employer offers it. The federal judiciary, the U.S. Postal Service, and some

Executive Branch agencies with independent compensation-setting authority already offer their own premium conversion plans.

You may only waive participation in premium conversion:
- At the initial premium conversion effective date;
- During an open season;
- When you are first hired or hired as a reemployed annuitant;
- When you leave federal service and are rehired in a different calendar year; or
- When you have a qualifying life event (whether or not you change your FEHB enrollment).

You can cancel your waiver and participate in premium conversion:
- When you have a qualifying life event; or
- During an open season.

Retirees and persons paying FEHB premiums directly (not by payroll deduction) are not eligible for premium conversion.

A qualifying life event includes:
- Addition of a dependent;
- Birth or adoption of a child;
- Changes in entitlement to Medicare or Medicaid for you, your spouse, or dependent;
- Change in work site;
- Change in your employment status or that of your spouse or dependent from either full-time to part-time, or the reverse;
- Death of your spouse or dependent;
- Divorce or annulment;
- Loss of a dependent;
- Marriage;
- Significant change in the health coverage of you or your spouse related to your spouse's employment;
- Start or end of an unpaid leave of absence by you or your spouse;
- Start or end of your spouse's employment.

Types of Plans Available
The types of plans that participate in the FEHB Program are:

Fee-for-Service Plans
This is a traditional type of insurance in which the health plan will either reimburse you or pay the medical provider directly for each covered medical expense after you receive the service. When you need medical attention, you visit the doctor or hospital of your choice. After receiving medical treatment, your provider or you file a claim to your health plan and it pays a benefit, but you usually must first pay a deductible and coinsurance or a copayment. These plans use some managed care features such as precertification and utilization review to control costs. Most also provide access to PPOs, as described below. When you use a PPO, you do not have to file a claim. Using a PPO will save you money.

Fee-for-service plans include:

- Plans open to everyone eligible to enroll under the FEHB Program. Some of these plans are sponsored by unions or employee organizations that require you to hold full or associate membership in the sponsoring organization.
- Plans sponsored by unions and employee organizations and restricted to employees in certain occupational groups and/or agencies.

Generally, a sponsoring organization will require you to pay a membership fee or dues, in addition to the premium. The employee organization sets and collects this fee, which is not negotiated with OPM.

Preferred Provider Organizations

A Preferred Provider Organization (PPO) is a fee-for-service option that allows you to see certain medical providers who reduce their charges to the plan, which means you pay less money out-of-pocket than when you use a non-PPO provider. When you visit a PPO you usually won't have to file claims or paperwork. However, going to a PPO hospital does not guarantee PPO benefits for all services received within that hospital. For instance, the PPO agreement may not cover lab work and radiology services from independent practitioners within the hospital, but it would cover room and board charges.

Health Maintenance Organizations

A Health Maintenance organization (HMO) is a health plan that provides care through a network of physicians, hospitals, and other providers in particular geographic areas. HMOs coordinate the health care services you receive. Your eligibility to enroll in an HMO is determined by where you live, or for some plans, where you work. Some HMOs have agreements with providers in other service areas for non-emergency care if you travel or are away from home for extended periods, called "reciprocity." Plans that offer such reciprocity discuss it in their benefit brochure under Special Features.

The HMO provides a comprehensive set of services - as long as you use the doctors and providers in the HMO network. HMOs charge a copayment for primary physician and specialist visits and generally no deductible or coinsurance for in-hospital care. Most HMOs ask you to choose a doctor or medical group to be your primary care physician (PCP). Your PCP provides your general medical care. In many HMOs, you must get authorization or a "referral" from your PCP for you to be evaluated and/or treated by a different physician or medical professional. The referral ensures that you see the right provider for the care most appropriate to your condition. Care you receive from a provider not in the HMO's network is not covered unless it's emergency care, you have obtained a proper referral for the care, or the plan has a reciprocity arrangement.

Point of Service

Some fee-for-service plans and HMOs offer a point of service product. You have the choice of using a designated network of providers or going outside of the network for care. If you use network providers, your out-of-pocket costs will be less than if you go out of network. If you don't use network providers, you must pay higher out-of-pocket costs, including deductibles, coinsurance, and copayments.

Types of Enrollment Available
The FEHB Program offers two types of enrollment:

Self Only
A self only enrollment covers only you as the enrollee. If you have a self only enrollment and want to cover a new family member, you must change to a self and family enrollment.

Self and Family
A self and family enrollment covers you and all of your eligible family members. You cannot exclude any eligible family member from coverage. You cannot provide coverage for anyone who is not an eligible family member, even if they live with you and are dependent upon you.

A new family member is automatically covered under your self and family enrollment. You do not need to report the addition of a new family member to your human resources office, but your plan may ask you for information (such as a marriage license or birth certificate) to verify the family member's eligibility. Your plan is not entitled to a new enrollment form as verification of the family member's eligibility.

Coverage for Family Members
The family members covered under a "self and family" enrollment are:

- Your spouse;
- Your unmarried dependent children under age 22. In addition to natural children of a marriage, this includes: (1) your legally adopted child; (2) your recognized natural child, if you live together in a parent-child relationship, or the child is financially dependent upon you, or if there is a judicial determination of support; (3) your stepchild, if you live together in a parent-child relationship; (4) your foster child, if you live together in a parent-child relationship and you expect to raise the child to adulthood; and (5) your unmarried dependent child age 22 or over who is incapable of self-support because of a disability that existed before age 22. (You must expect the disability to continue for at least one year, and the disability must be the reason the child isn't capable of self-support.)

When Family Members Lose Coverage
Your spouse immediately loses coverage under your self and family enrollment when your divorce decree or annulment is final (according to State law).

Your child immediately loses coverage under your self and family enrollment when:

- Your child reaches age 22, unless he or she is incapable of self support;
- Your child marries;
- Your disabled child age 22 or over marries or becomes capable of self-support; or
- Your stepchild or foster child stops living with you in a parent-child relationship.

Your family member will get a 31-day extension of coverage. He or she will be eligible to elect temporary continuation of FEHB coverage or may elect to convert coverage to an individual contract. Your former spouse may be eligible to enroll for FEHB coverage under Spouse Equity provisions. Your family members also lose coverage if you change from a self and family to a

self only enrollment. Neither your human resources office nor your plan will notify you when your family member loses eligibility. You should immediately tell your plan when a family member loses coverage. If your plan pays for services received after your family member's coverage ends, you must repay the plan.

Changing from Self and Family to Self Only Enrollment
If you participate in premium conversion, you may change to a self only enrollment during the annual Open Season or within 60 days after you have a qualifying life event. The change in enrollment must be consistent with your qualifying life event. For example, if you get divorced, changing to a self only enrollment would be consistent with that qualifying life event. If you adopt a child, a change from self and family to self only coverage would not be consistent with that qualifying life event. If you have waived participation in premium conversion, you may change to a self only enrollment or cancel your enrollment at any time.

When a Former Spouse Can Continue FEHB Coverage
Your former spouse may be eligible to continue FEHB coverage under Spouse Equity if your former spouse:

- was divorced from you during your federal employment or receipt of annuity;
- was covered as a family member under an enrollment at least one day during the 18 months before your marriage ended;
- is entitled to a portion of your annuity or to a former spouse survivor annuity; and
- does not remarry before age 55.

You or your former spouse must apply to your human resources office for Spouse Equity coverage within 60 days from the divorce. If your former spouse is not eligible to enroll under Spouse Equity, he or she may be eligible to continue FEHB coverage under Temporary Continuation of Coverage provisions.

When Coverage is Permitted Under More Than One FEHB Enrollment
Generally, you may not be covered under two plans at the same time. A human resources office may authorize a dual enrollment to:

- Protect children who would otherwise lose coverage as family members; or
- Allow an employee under age 22 covered under a parent's self and family enrollment to cover his or her dependent child.

No enrollee or family member may receive benefits under more than one FEHB enrollment. When your human resources office authorizes a dual enrollment, you must notify the plan(s) of which family members are to be covered under each enrollment. For more information on dual enrollments, contact your human resources office.

Time Periods for Enrolling or Changing FEHB Enrollment

I am …	**When Can I Enroll?**
A new employee	Within 60 days after your appointment date
Moving to a position that offers FEHB coverage. My previous position was excluded from coverage.	Within 60 days after your appointment date

An eligible employee, but I am not enrolled in FEHB	Open season, or when another event permitting enrollment occurs (such as a change in family status or employment status)
Enrolled in FEHB, and I want to change my enrollment	Open season, or when another event permitting enrollment occurs (such as a change in family status or employment status).

If you are an eligible temporary employee, all of the enrollment and enrollment change information applies to you with one exception. A decision not to enroll will not affect your future eligibility to continue FEHB enrollment after retirement.

To enroll or change your enrollment, you must file an enrollment request with your human resources office within the applicable time limits.

Important: You will not be eligible for FEHB coverage after retirement unless you are enrolled before you retire and meet all the requirements for continuing enrollment after retirement.

Major Events That Permit Enrollment or a Change in Enrollment

A change in family status:
- marriage;
- birth or adoption of a child;
- acquisition of a foster child;
- legal separation; or
- divorce.

A change in employment status:
- you are reemployed after a break in service of more than 3 days;
- you return to pay status after your coverage terminated during leave without pay status or because you were in leave without pay status for more than 365 days;
- your pay increases enough for premiums to be withheld;
- you are restored to a civilian position after serving in the uniformed services;
- you change from a temporary appointment to an appointment that entitles you to a government contribution; or
- you change to or from part-time career employment.

You or family members lose FEHB or other coverage:
- under another FEHB enrollment because the covering enrollment was terminated, canceled, or changed to self only;
- under another federally-sponsored health benefits program;
- under Medicaid or similar State-sponsored program for the needy;
- because your membership terminates in the employee organization sponsoring the FEHB plan; or
- under a non-federal health plan.

When one of these events occur, you may:

- enroll;
- change your enrollment from self only to self and family; or
- change your enrollment to another FEHB plan or option.

You also may waive or cancel your waiver of premium conversion at the same time. You must give your enrollment change to your human resources office from 31 days before to 60 days after the event.

When Enrollment Becomes Effective

Generally, the effective date of your enrollment or enrollment change is the first day of the pay period that follows:

- the day your human resources office receives your completed enrollment request; and
- a pay period during any part of which you were in pay status. (This pay status requirement doesn't apply to a change from self only to self and family.)

However, some events, such as open season, have different effective dates.

Form to Use for an Enrollment Request

You may use the Health Benefits Election form (SF 2809) to request a new enrollment or change in enrollment. The SF 2809 may be in either paper or electronic format. In addition, your human resources office may also allow you to make Open Season changes through "Employee Express" or another electronic method, which doesn't involve a SF 2809.

Effect on Enrollment if Your Physician Stops Participation

Generally speaking, if your physician stops participating in your health plan, this is not a qualifying event for changing your enrollment. However, if you have a chronic or disabling condition and your health plan terminates your provider's contract (unless the termination is for cause), you may be able to continue seeing your provider for up to 90 days after the notice of termination. If you are in the second or third trimester of pregnancy, you may continue seeing your obstetrician until the end of postpartum care.

When You Are Covered by Both FEHB and Medicare

Generally, your FEHB plan and Medicare provide protection against the same kind of medical expenses. Your FEHB plan also provides prescription drug coverage, routine physicals and a wider range of preventive services that Medicare does not. Some FEHB plans also provide coverage for dental and vision care. Medicare covers orthopedic and prosthetic devices, durable medical equipment, home health care, limited chiropractic services, and medical supplies, which some FEHB plans may not cover or only partially cover (check your plan brochure for details). Whether your FEHB plan or Medicare is primary depends on your current employment or health status. Your FEHB plan brochure provides specific information on how its benefits are coordinated with Medicare.

Continuing FEHB Coverage After Retirement

You may continue your FEHB enrollment after you retire if:

- you are entitled to retire on an immediate annuity under a retirement system for federal civilian employees; and
- you have been continuously enrolled (or covered as a family member) in any FEHB plan(s) for the 5 years of service immediately before your annuity starts, or for the full period of service since your first opportunity to enroll (if less than 5 years).

An immediate annuity is one that begins within 30 days of separation for retirement. An annuity you receive under the Minimum Retirement Age (MRA)+10 provision of FERS also qualifies as an immediate annuity, even though you postponed receipt of your annuity after separating from service.

"Service" means time in a position in which you were eligible to be enrolled and receive a government contribution towards the cost of your enrollment. You do not need to have been enrolled in the same FEHB plan. Coverage under a non-FEHB plan doesn't count toward the five-year or first-opportunity requirement, except that time covered under TRICARE counts as long as you are covered under an FEHB enrollment when you retire. Your first opportunity to enroll is within 60 days after you first become eligible to enroll, and receive a government contribution towards the cost of your enrollment. **OPM may waive the five-year requirement for continuation of enrollment after retirement only under exceptional circumstances.**

When Enrollment Continues Automatically

Transfer
Your FEHB enrollment will continue when you transfer from one agency to another, as long as you don't have a break in service of more than three calendar days; and are eligible for FEHB coverage in your new position.

Leave Without Pay
Your FEHB enrollment will continue for up to one year while you are in leave without pay status, unless you cancel it. You must pay your share of the premiums. Your human resources office will tell you how to make the premium payments.

Military Service
Your FEHB enrollment will continue without change if you enter on active duty in the military service for 30 days or less. If you enter on active duty for more than 30 days, you may continue your FEHB enrollment for up to 18 months. You may have to pay your share of the premiums for the first 12 months, and you may have to pay an additional amount to continue coverage during the last 6 months of the 18-month period. Your human resources office will tell you whether you will have to pay premiums, how much the premiums will be, and how to make the premium payments. You may also choose to terminate your enrollment. You will get it back when you exercise your reemployment rights and return to civilian service. Your decision to terminate your enrollment will not affect your future eligibility to continue FEHB enrollment after retirement as long as you enroll within 60 days after you return to civilian service.

Workers' Compensation
Your enrollment continues while you are receiving compensation from the Office of Workers' Compensation Programs (OWCP) if OWCP determines that you are unable to return to duty; and you meet the same requirements for continuing coverage as for retirement.

Effect of Your Death on Family Coverage
Your surviving eligible family members may continue your health benefits enrollment after you die if you had a self and family enrollment; and one family member is entitled to a survivor annuity. Your retirement system will take appropriate action with your survivors.

Canceling Your Enrollment
If you participate in premium conversion, you may cancel your enrollment only during an open season or upon a qualifying life event. The cancellation of coverage must be consistent with and correspond to your qualifying life event. For example, if you get married and your spouse is employed by a company that provides health insurance for you, then canceling FEHB coverage would be consistent with that qualifying life event. If you are divorcing and have children to cover, canceling coverage would not be consistent with that qualifying life event. If you have waived participation in premium conversion, you may cancel your enrollment at any time.

Your cancellation takes effect on the last day of the pay period in which your human resource office receives your request. You and your family members are not eligible for the 31-day extension of coverage, Temporary Continuation of Coverage, or conversion to an individual policy. When you cancel your enrollment, you may not enroll again until an event occurs (such as an open season or a change in family status) that permits enrollment.

You will not be eligible for health benefits coverage after your retirement unless you reenroll before you retire and meet all of the requirements for continuing enrollment into retirement. If you plan to reenroll in time to qualify for coverage as a retiree, keep in mind that you may have to retire earlier than expected. You then might not meet the five-year requirement for continuing coverage into retirement. When you cancel your enrollment you are accepting this risk. You may want to consider changing your enrollment to a lower cost plan instead of cancellation.
If you are going to be covered by someone else's enrollment and do not want a gap in coverage, you can coordinate the effective dates of your cancellation and your new coverage.

When Your Enrollment Ends
Your enrollment will end, subject to a 31-day extension of coverage, when you:
- separate from service (unless you can retire and continue your enrollment);
- separate under the FERS MRA+10 provision and you postpone receiving your annuity (you will get FEHB coverage back when your annuity starts);
- change to a position that is excluded from coverage;
- die (your family may be eligible to continue coverage);
- have been on leave without pay for 365 consecutive days, or when your leave under the Family and Medical Leave Act expires, whichever is later;
- return to leave without pay status, if you haven't been in pay status for 4 consecutive months after 365 days of continued coverage while in leave without pay status;

- enter on active duty in the military service for more than 30 days, if you decide to terminate your enrollment;
- have completed 18 months of active duty in the military service, or your entitlement to continued coverage ends, whichever is earlier; or
- are a temporary employee whose pay is not enough to cover the premiums and you do not choose a lower-cost plan.

Getting Extension of Coverage After Enrollment Ends
Your coverage will continue without cost to you for 31 days after your enrollment ends for any reason except when you cancel it. During that time you can elect Temporary Continuation of Coverage or convert to an individual health benefits contract with your FEHB plan. Remember, you must exhaust TCC eligibility as one condition for guaranteed access to individual health coverage under the Health Insurance Portability and Accountability Act of 1996. Your family members are eligible for the extension of coverage when they lose coverage for any reason except when you cancel your enrollment. If you are hospitalized on the 31st day of extended coverage, your FEHB plan will continue to provide benefits for up to 60 more days of continuous hospitalization unless you converted to an individual contract.

Continuing FEHB Coverage After Separating from Service
You are eligible to temporarily continue your FEHB coverage for up to 18 months when you:
- separate from service, voluntarily or involuntarily, unless your separation is for gross misconduct; and
- are not otherwise eligible for continued coverage under the Program (not counting the 31-day extension of coverage).

Electing Temporary Continuation of Coverage
Your human resources office will give you notice of your temporary continuation of coverage (TCC) rights within 61 days after you separate from service. If you want TCC, you must elect it within 60 days from the later of your separation, or the date of your human resources office's notice.

You may choose self only or self and family coverage in any plan or option that you are eligible to join. You are not limited to the plan, option, or type of enrollment under which you had been covered.

Continuing FEHB Coverage for Family Members
Your family members are eligible to continue FEHB coverage for up to 36 months under their own enrollments when they lose their eligibility under your coverage, and are not otherwise eligible for FEHB coverage.

This includes when your child reaches age 22 or marries, or when you divorce and your former spouse does not qualify under Spouse Equity provisions. Neither your human resources office nor your plan will notify you or your family member when he or she loses coverage.

Electing TCC for Family Members
You must notify your human resources office or retirement system within 60 days from the date that your family member loses eligibility under your enrollment. (If you are divorcing, your

former spouse may notify your human resources office on his or her own behalf.) Within 14 days, your human resources office will send your family member notice of his or her own TCC rights.

If your family member wants TCC, he or she must elect it within 60 days from the later of:
- the date he or she loses eligibility under your enrollment; or
- the date of your human resources office's notice.

If your former spouse loses Spouse Equity eligibility within 36 months after your marriage ends, he or she must notify your human resources office within 60 days of losing this eligibility to apply for the remaining months of TCC.

Cost of Premiums for TCC
Generally, you or your family member must pay both the government and employee shares of the premium, plus a 2% administrative charge. When TCC ends, you will get another 31-day extension of coverage and conversion rights (unless you canceled your coverage or did not pay premiums).

When TCC Becomes Effective
The first 31 days of the TCC eligibility period overlap with the free 31-day extension of coverage. You must begin to pay premiums for TCC after the 31-day extension of coverage ends. You must pay retroactive premiums to this date even if your enrollment is not finalized by then.

If you:
- elect a different plan or option when you enroll under TCC, and
- you or a covered family member are in a hospital on the 31st day of the extension of coverage, then
- your old plan or option will continue coverage for the hospitalized person as long as he or she is hospitalized, up to 60 days. The other family members' coverage will switch to the new plan or option after the 31-day extension of coverage ends.

Converting to an Individual Policy
You may convert to an individual policy with the carrier of your plan when your FEHB coverage ends, except when you cancel your enrollment. The plan is not allowed to ask for evidence of good health; impose waiting periods; or limit coverage for pre-existing conditions. Your benefits and rates will be different from those under the FEHB Program. The government does not contribute to the cost of the individual conversion contract.

Applying for an Individual Policy
Your human resources office must give you a notice of your right to convert to an individual policy no later than 60 days from the termination date. Complete the back of your copy of the notice and send it to the carrier of your plan within 31 days from the date of the notice, but no later than 91 days from the date your enrollment terminates.

Consequences of Missing Conversion Deadline
If you miss the applicable deadline, you lose your opportunity to convert to an individual policy unless there are reasons beyond your control (including when you do not get the required conversion notice within 60 days). In those cases, you can ask the carrier of your plan to accept a late conversion. You must send your written request within 6 months after the date your enrollment terminated. You must include some documentation that your enrollment has terminated (for example, a Notification of Personnel Action - SF 50 showing separation from service).

Eligibility of Family Members to Convert to Individual Policy
Your family members also may convert to individual coverage when they lose eligibility under your enrollment, or when their Spouse Equity or TCC coverage ends. Neither your human resources office nor your plan will notify you or your family member when he or she loses coverage. You or your family member should write to the carrier of your plan within 31 days after your family member's FEHB coverage ends to request conversion to an individual contract.

When the Individual Policy Becomes Effective
Your or your family member's conversion contract becomes effective at the end of the 31-day extension of coverage, even when you or your family member is hospitalized on the 31st day of extended coverage.

Obtaining Certificate of FEHB Coverage When Leaving Employment
When your FEHB coverage ends, your plan will automatically send you a Certificate of Group Health Plan Coverage. You need to show this certificate to a new non-FEHB insurer to reduce or eliminate any pre-existing condition limitations that it may otherwise be able to apply to your coverage. If you do not get a certificate automatically, the plan must send you one at your request. If needed, you also may get certificates from other FEHB plans you have been enrolled in to document continued group health plan coverage.

Information on How Your Plan Processes Claims
You can get this information by reading your plan brochure carefully. It will help you become familiar with your plan's benefits and claims procedures. You may also ask your plan directly about benefits, claims payment and claims processing. OPM does not pay or process claims.

When Your Plan Won't Pay a Claim
Your plan brochure has detailed information on how to file a reconsideration request with your plan and a disputed claim request with OPM. Before you request reconsideration from the plan or ask OPM for a disputed claim review, be sure to check your plan brochure.

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Federal Employees Group Life Insurance Program

The federal government established the Federal Employees' Group Life Insurance (FEGLI) Program on August 28, 1954. It is the largest group life insurance program in the world, covering over 4 million federal employees and retirees, as well as many of their family members.

FEGLI provides group term life insurance. As such, it does not build up any cash value or paid-up value. It consists of Basic life insurance coverage and three options. In most cases, if you are a new federal employee, you are automatically covered by Basic life insurance and your payroll office deducts premiums from your paycheck unless you waive the coverage. In addition to the Basic, there are three forms of Optional insurance that you can elect. You must have Basic insurance in order to elect any of the options. Unlike Basic, enrollment in Optional insurance is not automatic - you must take action to elect the options.

The cost of Basic insurance is shared between you and the government. You pay 2/3 of the total cost and the government pays 1/3. Your age does not affect the cost of Basic insurance. You pay the full cost of Optional insurance, and the cost depends on your age.

The Office of Federal Employees' Group Life Insurance (OFEGLI), which is a private entity that has a contract with the federal government, processes and pays claims under the FEGLI Program.

General Information
The kinds of coverage federal employees can get under FEGLI are Basic life insurance and Optional insurance. Your Basic Insurance Amount (BIA) is equal to the greater of (a) your annual basic pay rounded up to the next $1,000 plus $2,000, or (b) $10,000.

If you have Basic insurance, you have your choice of three types of Optional insurance: Option A (standard optional insurance), Option B (additional optional insurance), and Option C (family optional insurance). Option A is equal to $10,000. Option B is equal to one, two, three, four or five times your annual basic pay (after rounding up to the next $1,000). Option C provides coverage for your spouse and eligible children. For Option C, you may elect one, two, three, four or five multiples of coverage. Each multiple is equal to $5,000 ($25,000 maximum) for your spouse and $2,500 ($12,500 maximum) for each of your eligible dependent children.

Obtaining Coverage under FEGLI as a New Employee
Most federal employees are automatically enrolled in Basic insurance unless they waive this coverage. Basic is effective on the first day you enter in a pay and duty status in an eligible position.

If you have Basic insurance, you may also elect Optional insurance. You must specifically elect the types of Optional insurance you wish to carry within 31 days of becoming eligible. Optional insurance is effective on the first day you are in a pay and duty status on or after the day your human resources office receives your election.

Extra Benefit for Employees Under Age 45
As part of the Basic life insurance, employees who are under age 45 get an Extra Benefit at no additional cost. The Extra Benefit doubles the amount of the life insurance payable if you are age 35 or younger. Beginning on your 36th birthday, the Extra Benefit decreases 10% each year until, at age 45, there is no Extra Benefit.

Making an Election
You must complete a Life Insurance Election (SF 2817) to waive insurance or to elect Optional insurance. If you do not complete an election form, you are automatically enrolled in Basic only.

Cost of FEGLI Coverage
As mentioned above, the cost of Basic insurance is shared between you and the government. You pay two-thirds and the government pays one-third. Your age does not affect the cost of Basic insurance. You pay $0.155 (15½ cents) biweekly (or $0.3358 monthly) for each $1,000 of your basic insurance amount. If you are a Postal employee, the U.S. Postal Service pays the entire cost of your Basic life insurance.

You pay the full cost of all Optional insurance. The cost depends on your age and the amount of insurance you have. Your agency will withhold the premiums from your pay.

When Salary Is Too Low to Cover Cost
If your pay is too low to allow a withholding for life insurance premiums and your human resources office expects this condition to last for more than six months, you will have a choice. You can choose either to terminate some or all of your insurance coverage or to continue the coverage and pay the premiums directly. Your human resources office can provide more details.

Automatic Increases as Salary Rises
The amount of your FEGLI automatically increases when your salary goes up, whenever your annual pay is increased by an amount sufficient to raise the pay to the next $1,000 bracket.

No Maximum Amount for Basic Insurance
There is no maximum amount of Basic insurance that an employee can have. The amount is based on your annual basic rate of pay.

Borrowing Against the Policy
The FEGLI Program provides group term insurance. It does not have any cash value and you cannot borrow against your coverage. The only opportunities to get money from your coverage while you are still alive are (1) if you are terminally ill and qualify for Living Benefits, or (2) if you are terminally or chronically ill and assign your coverage to a viatical settlement firm.

Accidental Death or Dismemberment
In the event of a fatal accident or an accident that results in the loss of a limb or eyesight, FEGLI includes Accidental Death and Dismemberment (AD&D) for employees. AD&D coverage cannot be carried into retirement. For the Office of Federal Employees' Group Life Insurance to pay benefits, the death or loss must occur within 90 days after the accident and be a direct result of bodily injury sustained from that accident.

AD&D insurance is automatically included in Basic at no extra cost. It is equal to the amount of your Basic insurance. It is also automatically included in Option A at no extra cost and it is equal to $10,000.

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Veterans' Preference

The federal government has a long record of employing veterans. Veterans hold a far higher percentage of jobs in the government than they do in private industry. In large part, this is due to laws providing veterans' preference and special appointing authorities for veterans, as well as the fact that agencies recognize that hiring veterans is just good business. This chapter explains how the federal employment system works and how veterans' preference and the special appointing authorities operate within that system.

OPM administers entitlement to veterans' preference in employment under title 5, United States Code, and oversees other statutory employment requirements in titles 5 and 38. Both title 5 and title 38 use many of the same terms, but in different ways. For example, service during a "war" is used to determine entitlement to veterans' preference and service credit under title 5. OPM has always interpreted this to mean a war declared by Congress. But title 38 defines "period of war" to include many non-declared wars, including Korea, Vietnam, and the Persian Gulf. Such conflicts entitle a veteran to VA benefits under title 38, but not necessarily to preference or service credit under title 5.

Eligible veterans receive many advantages in federal employment, including preference for initial employment and a higher retention standing in the event of layoffs. However, the veterans' preference laws do not guarantee the veteran a job, nor do they give veterans preference in internal agency actions such as promotion, transfer, reassignment, and reinstatement.

Veterans' preference in its present form comes from the Veterans' Preference Act of 1944, as amended, and is now codified in various provisions of title 5, United States Code. By law, veterans who are disabled or who served on active duty in the Armed Forces during certain specified time periods or in military campaigns are entitled to preference over others in hiring from competitive lists of eligibles and also in retention during reductions in force. Preference applies in hiring for virtually all jobs, whether in the competitive or excepted service. In addition to receiving preference in competitive appointments, veterans may be considered for special noncompetitive appointments for which only they are eligible.

Veterans Employment Opportunities Act of 1998
This new law gives veterans access to federal job opportunities that might otherwise be closed to them. The law requires that:

- Agencies allow eligible veterans to compete for vacancies advertised under the agency's merit promotion procedures when the agency is seeking applications from individuals outside its own workforce.
- All merit promotion announcements open to applicants outside an agency's workforce include a statement that these eligible veterans may apply.
- OPM create an appointing authority to permit the appointment of these individuals if they are selected.

The law also establishes a new redress system for preference eligibles and makes it a prohibited personnel practice for an agency to knowingly take or fail to take a personnel action if that action or failure to act would violate a statutory or regulatory veterans' preference requirement.

How Federal Jobs Are Filled

There are essentially two classes of jobs with the federal government: 1) those that are in the competitive civil service, and 2) those that are in the excepted service. Competitive civil service jobs are under OPM's jurisdiction and subject to the civil service laws enacted by Congress in title 5, United States Code. These laws were enacted to ensure that jobs were filled based on a merit system for selecting the best qualified candidates according to job-related criteria. These laws, however, provide individual managers sufficient flexibility to appoint the person they believe is the best qualified for the job. Agencies may fill jobs from outside the civil service, or from among candidates with civil service status. In filling jobs, some selections must be made competitively; others may be made without open competition.

When filling a competitive service job from outside the civil service, agencies may:

- appoint a well-qualified candidate from a competitive list of eligibles developed by OPM or by an agency with delegated examining authority; or
- appoint someone who is eligible under one of a number of special appointing authorities (e.g., the VRA or Schedule B authorities discussed below, and others authorized by either law or executive order).

Alternatively, in filling jobs from among "status" candidates, agencies may:

- appoint someone from an agency-developed merit promotion list (when these jobs are open to candidates outside the agency, the agency must allow eligibles under the Veterans Employment Opportunities Act of 1998 to apply); or
- reassign a current agency employee, transfer an employee from another agency, or reinstate a former federal employee.

Note: "Status" candidates are those who are eligible for noncompetitive movement within the competitive service because they either are now or were serving under career-type appointments in the competitive service.

An agency request for a list of eligible candidates or a job posting represents only a search for qualified candidates; there is no obligation on the part of the agency to make a selection. When a selection is made, agencies generally have broad authority under law to select from any number of sources of eligibles - from outside the Federal service as well as from within.

Since 1996, agencies have been required by Presidential directive to give first consideration to surplus and displaced federal employees to soften the effects of widespread restructuring and downsizing aimed at making the government more efficient.

Excepted service jobs, as the name suggests, are excepted from most or all of the civil service laws for various reasons and are not generally subject to OPM's jurisdiction. Positions are excepted by law, by executive order, or by action of OPM placing a position or group of positions in excepted service Schedules A, B, or C. For example, certain entire agencies such as

the Postal Service, the Federal Bureau of Investigation, and the Central Intelligence Agency are excepted by law. In other cases, certain jobs or classes of jobs in an agency are excepted by OPM. This includes attorneys, chaplains, student trainees, veterans appointed under the Veterans Employment Opportunities Act of 1998, and others.

Types Of Appointments

There are three ways veterans can be appointed to jobs in the competitive civil service: by competitive appointment through an OPM list of eligibles (or agency equivalent), by noncompetitive appointment under special authorities that provide for conversion to the competitive service, or by excepted appointment under an authority that does not provide for conversion to the competitive service.

1. A competitive appointment is one in which the veteran competes with others on an OPM list of eligibles (or agency equivalent under delegated examining authority). This is the normal entry route into the civil service for most employees. Veterans' preference applies in this situation, and those veterans who qualify as preference eligibles - i.e., who are entitled to veterans' preference - have 5 or 10 extra points added to their passing score on a civil service examination. Before a job is filled by competitive appointment, the examining office must report it to OPM for announcing to the public; OPM also notifies State employment service offices. The examining office then determines the candidates' qualifications and rates and ranks them according to job-related criteria. This list of eligibles, or certificate, is then given to the selecting official.

2. A noncompetitive appointment under special authority is one such as the Veterans' Readjustment Appointment (VRA) authority and the special authority for 30 percent or more disabled veterans. Eligibility under these special authorities (which are explained below) gives veterans a very significant advantage over others seeking to enter the federal service in that they do not compete with them. An agency that wants to hire under one of these authorities can simply appoint the eligible veteran to any position for which the veteran is qualified. There is no red tape or special appointment procedures. However, use of these special authorities is discretionary with the agency. Veterans' preference applies when making appointments under these special authorities if there are two or more candidates and one or more is a preference eligible. These authorities provide for noncompetitive conversion to the competitive service after a suitable period of satisfactory service.

3. An excepted appointment under Schedule B to a position that would otherwise be in the competitive service. This special authority, authorized by the Veterans Employment Opportunities Act of 1998, permits an agency to appoint an eligible veteran who has applied under an agency merit promotion announcement open to candidates outside the agency. Like the above authorities, this one, too, gives veterans a very significant advantage over others seeking to enter the federal service in that they do not compete with them. However, use of this special authority, as with other authorities, is discretionary with the agency. Also, an appointment made under this authority does not lead to conversion to the competitive service.

In order to maximize their opportunities, veterans who are eligible for both preference and noncompetitive appointment should, where possible, make sure they are being considered both

competitively through an OPM exam or equivalent, and noncompetitively under special authority such as the VRA.

Who Is Entitled To Veterans' Preference In Employment

Five-point preference is given to those honorably separated veterans (this means an honorable or general discharge) who served on active duty (not active duty for training) in the Armed Forces:

- during any war (this means a war declared by Congress, the last of which was World War II);
- during the period April 28, 1952 through July 1, 1955;
- for more than 180 consecutive days, any part of which occurred after January 31, 1955, and before October 15, 1976;
- during the Gulf War period beginning August 2, 1990 and ending January 2, 1992; or
- in a campaign or expedition for which a campaign medal has been authorized, such as El Salvador, Lebanon, Granada, Panama, Southwest Asia, Somalia, and Haiti.

Medal holders and Gulf War veterans who originally enlisted after September 7, 1980, or entered on active duty on or after October 14, 1982, without having previously completed 24 months of continuous active duty, must have served continuously for 24 months or the full period called or ordered to active duty.

Effective on October 1, 1980, military retirees at or above the rank of major or equivalent are not entitled to preference unless they qualify as disabled veterans.

Ten-point preference is given to:

- those honorably separated veterans who (1) qualify as disabled veterans because they have served on active duty in the Armed Forces at any time and have a present service-connected disability or are receiving compensation, disability retirement benefits, or a pension from the military or the Department of Veterans Affairs; or (2) are Purple Heart recipients;
- the spouse of a veteran unable to work because of a service-connected disability;
- the unmarried widow of certain deceased veterans; and
- the mother of a veteran who died in service or who is permanently and totally disabled.

When applying for federal jobs, eligible veterans should claim preference on their application or resume. Applicants claiming 10-point preference must complete form SF-15, Application for 10-Point Veteran Preference. Veterans who are still in the service may be granted 5 points tentative preference on the basis of information contained in their applications, but they must produce a DD Form 214 prior to appointment to document entitlement to preference.

Note: Reservists who are retired from the Reserves but are not receiving retired pay are not considered "retired military" for purposes of veterans' preference.

The Department of Labor's Office of the Assistant Secretary for Policy and Veterans' Employment and Training Service developed an "expert system" to help veterans receive the preferences to which they are entitled. Two versions of this system are currently available, both of which help the veterans determine the type of preference to which they are entitled, the

benefits associated with the preference and the steps necessary to file a complaint due to the failure of a federal agency to provide those benefits. To find out whether you qualify for veterans' preference, visit America's Job Bank, operated by the Department of Labor (DOL). The Internet address for the veterans' preference program is: http://www.dol.gov/dol/vets/public/programs/programs/preference/main.htm. (State employment service offices have veteran representatives available to assist veterans in gaining access to this information.)

How Preference Applies In Competitive Examination

Veterans who are eligible for preference and who meet the minimum qualification requirements of the position have 5 or 10 points added to their passing score on a civil service examination. For scientific and professional positions in grade GS-9 or higher, names of all eligibles are listed in order of ratings, augmented by veterans' preference points, if any. For all other positions, the names of 10-point preference eligibles who have a service-connected disability of 10 percent or more are placed ahead of the names of all other eligibles. Other eligibles are then listed in order of their earned ratings, augmented by veterans' preference points. A preference eligible is listed ahead of a nonpreference eligible with the same score.

The agency must select from the top 3 candidates (known as the Rule of 3) and may not pass over a preference eligible in favor of a lower ranking non-preference eligible without sound reasons that relate directly to the veteran's fitness for employment. The agency may, however, select a lower-ranking preference eligible over a compensably disabled veteran within the Rule of 3.

A preference eligible who is passed over on a list of eligibles is entitled, upon request, to a copy of the agency's reasons for the passover and the examining office's response. If the preference eligible is a 30 percent or more disabled veteran, the agency must notify the veteran and OPM of the proposed passover. The veteran has 15 days from the date of notification to respond to OPM. OPM then decides whether to approve the passover based on all the facts available and notifies the agency and the veteran.

Remember that entitlement to veterans' preference does not guarantee a job. There are many ways an agency can fill a vacancy other than by appointment from a list of eligibles.

Filing Applications After Examinations Close

A 10-point preference eligible may file an application at any time for any position for which a nontemporary appointment has been made in the preceding 3 years; for which a list of eligibles currently exists that is closed to new applications; or for which a list is about to be established. Veterans wishing to file after the closing date should contact the agency that announced the position for further information.

Special Appointing Authorities for Veterans

The following special authorities permit the noncompetitive appointment of eligible veterans. Use of these special authorities is entirely discretionary with the agency; no one is entitled to one of these special appointments:

The Veterans' Readjustment Appointment (VRA) - The VRA is a special authority by which agencies can appoint an eligible veteran without competition. The VRA is an excepted appointment to a position that is otherwise in the competitive service. After 2 years of satisfactory service, the veteran is converted to a career-conditional appointment in the competitive service. (Note, however, that a veteran may be given a noncompetitive temporary or term appointment based on VRA eligibility. These appointments do not lead to career jobs.)

When two or more VRA applicants are preference eligibles, the agency must apply veterans' preference as required by law. (While all VRA eligibles have served in the Armed Forces, they do not necessarily meet the eligibility requirements for veterans' preference under section 2108 of title 5, United States Code.)

To be eligible for a VRA appointment, a veteran must have served on active duty in the Armed Forces for more than 180 days and received other than a dishonorable discharge. The 180-day requirement does not apply to veterans released from active duty because of a service-connected disability, or to members of a Reserve component ordered to active duty during a period of war or in a campaign or expedition for which a campaign or expeditionary medal is authorized. Active duty is defined as full-time duty in the Armed Forces, other than active duty for training.

For VRA eligibility, the term "period of war" includes the Vietnam era and the Persian Gulf War beginning August 2, 1990 and ending November 30, 1995, but does not include other operations such as Panama and Somalia.

There are 2 groups of eligibles under the VRA:
1) Vietnam-era veterans, i.e., those who served between August 5, 1964 (or February 28, 1961 for those who actually served in the Republic of Vietnam) and May 7, 1975, are eligible for a VRA appointment until the later of December 31, 1995, or 10 years following their last release from active duty (This time period does not apply to 30 percent or more disabled veterans.); and

2) Post-Vietnam-era veterans, i.e., those who first served after May 7, 1975, are eligible until December 31, 1999, or 10 years following their last release from active duty, whichever is later.

VRA eligibles may be appointed to any position for which qualified up to GS-11 or equivalent (the promotion potential of the position is not a factor). The veteran must meet the qualification requirements for the position. (Any military service is considered qualifying for GS-3 or equivalent.) After 2 years of substantial continuous service in a permanent position under a VRA, the appointment will be converted to a career or career conditional appointment in the competitive service, providing performance has been satisfactory. Once on-board, VRAs are treated like any other competitive service employee and may be promoted, reassigned, or transferred. VRA appointees with less than 15 years of education must complete a training program established by the agency. Veterans should contact the federal agency personnel office where they are interested in working to find out about VRA opportunities.

30 Percent or More Disabled Veterans - These veterans may be given a temporary or term appointment (not limited to 60 days or less) to any position for which qualified (there is no grade

limitation). After demonstrating satisfactory performance, the veteran may be converted at any time to a career-conditional appointment.

Initially, the disabled veteran is given a temporary appointment with an expiration date in excess of 60 days. This appointment may be converted to at any time to a career conditional appointment. Unlike the VRA, there is no grade limitation.

Veterans should contact the federal agency personnel office where they are interested in working to find out about opportunities. Veterans must submit a copy of a letter dated within the last 12 months from the Department of Veterans Affairs or the Department of Defense certifying receipt of compensation for a service-connected disability of 30% or more.

Disabled Veterans Enrolled In VA Training Programs - Disabled veterans eligible for training under the Department of Veterans Affairs' (VA) vocational rehabilitation program may enroll for training or work experience at an agency under the terms of an agreement between the agency and VA. The veteran is not a federal employee for most purposes while enrolled in the program, but is a beneficiary of the VA.

The training is tailored to individual needs and goals so there is no set length. If the training is intended to prepare the individual for eventual appointment in the agency (rather than just work experience), OPM must approve the training plan. Upon successful completion, the veteran will be given a Certificate of Training showing the occupational series and grade level of the position for which trained. This allows any agency to appoint the veteran noncompetitively for a period of 1 year. Upon appointment, the veteran is given a Special Tenure Appointment which is then converted to career-conditional with OPM approval.

Excepted Appointment Under Schedule B - Authorized by the Veterans Employment Opportunities Act of 1998, this authority permits an agency to appoint an eligible veteran who has applied under an agency merit promotion announcement that is open to candidates outside the agency.

To be eligible for a Schedule B appointment, a candidate must be a preference eligible or veteran separated after 3 or more years of continuous active service performed under honorable conditions.

Veterans given a Schedule B appointment are in the excepted service. The appointment does not lead to competitive status. However, these appointees may be promoted, demoted, or reassigned at their agency's discretion, and may apply for jobs (whether in their own or other agencies) under the same terms and conditions that applied to their original appointment - i.e., they may apply only when the agency has issued a merit promotion announcement open to candidates outside the agency.
Veterans interested in applying under this authority should seek out agency merit promotion announcements open to candidates outside the agency. Applications should be submitted directly to the agency.

Positions Restricted to Preference Eligibles
Examinations for custodian, guard, elevator operator and messenger are open only to preference eligibles as long as such applicants are available.

Affirmative Action for Certain Veterans Under Title 38
Section 4214 of title 38, United States Code, calls upon agencies to establish a separate affirmative action program for disabled veterans as part of agency efforts to hire, place, and advance persons with disabilities under the Rehabilitation Act of 1973. Agencies are also urged to "promote the maximum of employment and job advancement opportunities" for those veterans eligible for noncompetitive appointment under the above special authorities.

This section requires agencies to:

- provide placement consideration under special noncompetitive hiring authorities for VRA and 30 percent or more disabled veterans;
- ensure that all veterans are considered for employment and advancement under merit system rules; and
- establish an affirmative action plan for the hiring, placement, and advancement of disabled veterans.

Veterans' Complaints
Veterans who believe that they have not been properly accorded their rights have several different avenues of complaint, depending upon the nature of the complaint and the individual's veteran status. The Veterans Employment Opportunities Act of 1998 allows preference eligibles to complain to the Department of Labor's Veterans' Employment and Training Service (VETS) when the person believes an agency has violated his or her rights under any statute or regulation relating to veterans' preference.

Under a separate Memorandum of Understanding (MOU) between OPM and the Department of Labor, eligible veterans seeking employment who believe that an agency has not properly accorded them their veterans' preference, failed to list jobs with State employment service offices as required by law, or failed to provide special placement consideration noted above, may file a complaint with the local Department of Labor VETS representative (located at State employment service offices).

To be eligible to file a complaint under the MOU a veteran must:

- have served on active duty for more than 180 days and have other than a dishonorable discharge;
- have a service-connected disability; or
- if a member of a Reserve component, have been ordered to active duty under sections 12301 (a), (d), or (g) of title 10, United States Code, or served on active duty during a period of war, or received a campaign badge or expeditionary medal (e.g., the Southwest Asia Service Medal).

The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) prohibits discrimination in employment, retention, promotion, or any benefit of employment on the basis of a person's service in the uniformed services. Complaints under this law should also

be filed with the local Department of Labor VETS representative (located at State employment service offices).

Since a willful violation of a provision of law or regulation pertaining to veterans' preference is a Prohibited Personnel Practice, a preference eligible who believes his or her veterans' preference rights have been violated may file a complaint with the local Department of Labor VETS representative, as noted above.

A disabled veteran who believes he or she has been discriminated against in employment because of his or her disability may file a handicapped discrimination complaint with the offending agency under regulations administered by the Equal Employment Opportunity Commission.

Finally, since OPM is committed to ensuring that agencies carry out their responsibilities to veterans, any veteran with a legitimate complaint may also contact any OPM Service Center.

Because there is considerable overlap in where and on what basis a complaint may be filed, a veteran should carefully consider his or her options before filing. Generally speaking, complaints on the same issue may not be filed with more than one party.

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40	1.12	4.03	1.56	1.56	1.61	2.39
45	1.61	4.03	2.34	2.60	2.21	3.12
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